

THE GLOBAL NEWSPAPER  
Printed in 100s  
Printed Simultaneously  
in Paris, London, Zurich  
and Hong Kong

# Herald Tribune

Published With The New York Times and The Washington Post

LONDON, MONDAY, AUGUST 9, 1982

|               |           |              |           |             |           |
|---------------|-----------|--------------|-----------|-------------|-----------|
| Algeria       | 5.50 D.   | Israel       | 15.20 D.  | Norway      | 5.00 N.K. |
| Andorra       | 17.5      | Italy        | 1000 Lire | Qatar       | 45 D.     |
| Belgium       | 6.60 D.   | Jordan       | 400 P.    | Portugal    | 45 Esc.   |
| Canada        | 1.35 C.   | Kuwait       | 300 P.    | Spain       | 6.50 P.   |
| Cyprus        | 400 P.    | Lebanon      | 8.40      | Sweden      | 80 P.     |
| Denmark       | 4.00 D.K. | Lithuania    | 100 L.    | Switzerland | 5.00 S.F. |
| Egypt         | 5.00 P.   | Luxembourg   | 33 L.F.   | Taiwan      | 1.90 S.F. |
| Finland       | 5.00 F.   | Malta        | 20 M.     | Turkey      | 1.50 D.   |
| France        | 6.50 F.   | Mexico       | 20 M.     | U.S.        | 1.00 D.   |
| Germany       | 2.00 D.   | Netherlands  | 2.25 F.   | U.S. (alt.) | 50.00     |
| Greece        | 30 P.     | Norway       | 5.00 N.K. | U.S. (alt.) | 50.00     |
| Great Britain | 30 P.     | Poland       | 100 Z.    | U.S. (alt.) | 50.00     |
| Hong Kong     | 1.00 H.K. | Romania      | 100 R.    | U.S. (alt.) | 50.00     |
| India         | 150 P.    | Saudi Arabia | 100 R.    | U.S. (alt.) | 50.00     |
| Iran          | 170 K.    | Soviet Union | 100 R.    | U.S. (alt.) | 50.00     |

ESTABLISHED 1887



Security forces at Esenboga airport move the body of an Armenian terrorist killed in the shooting.

## Armenians Kill 8 and Wound 74 In an Attack at Ankara's Airport

**ANKARA** — Two Armenian terrorists killed eight persons and wounded 74 in an attack on Ankara's Esenboga airport Saturday, before being overwhelmed by security forces.

Marital law authorities in Turkey said six persons, including three policemen, an American woman and the airport manager, were killed by the terrorists during the two-hour shooting spree in the crowded international lounge.

But doctors at an Ankara hospital said Erdogan Datisner, the airport manager, was the eighth person to die. They said two others wounded in the raid were in comas. The discrepancy between the official figure and the doctors' figure was not explained, but it appears caused by official reluctance to acknowledge police losses.

Security forces killed one terrorist, and a suspect was wounded and captured while trying to escape, a communiqué from the authorities said.

Newspapers and news agencies put the death toll as high as 12. The Anatolian News Agency, quoting witnesses, said a West German man also was killed.

The Beirut-based Armenian Secret Army for the Liberation of Armenia claimed responsibility for the attack. Police said the two terrorists entered the country last month on separate commercial flights from Damascus, Syria.

The communiqué from the martial law authorities said the terrorists entered the passenger lounge as passengers were waiting to pass through passport control. They hurled bombs and opened up with a submachine gun and when the security forces returned fire, the terrorists ran into the airport cafeteria and took hostage 15 persons there, the communiqué said.

**Tried to Escape**

The Armenian, identified by Anatolia as Jean Gifford Bosworth, in his 60s, was killed by a terrorist as he tried to escape, the Ankara authorities said.

Officials identified the wounded terrorist as Leyon Elmekciyan, who was carrying a French passport. The dead terrorist was not identified.

The terrorist group made bomb attacks on Istanbul and Ankara airports in 1977 and 1980, but its campaign has been mainly against Turks living abroad.

Twenty-two persons, most of them diplomats, have been killed in the past decade by Armenian guerrilla organizations to avenge the massacre of an estimated 600,000 Armenians in eastern Turkey during World War I. Turkey denies that there was such a massacre.

Armenia is now divided between Turkey, the Soviet Union and Iran.

The group also said it would make attacks in the United States, Canada, France, Britain, Switzerland and Sweden if 85 Armenians being held in those countries were not released within seven days. It said the Armenians were being held on false charges of assisting the Armenian cause.

In Athens, an anonymous woman who telephoned news agencies said "Suicide Squad Pierre Kiolulian" made the attack. This appeared to be a reference to Pierre Kiolulian, 23, a Frenchman of Armenian descent killed in an explosion in a Paris suburb on July 30.

## 'Angry' Reagan Reassesses U.S. Ties in Mideast

By Bernard Weinraub  
New York Times Service

**WASHINGTON** — U.S. officials say that the Reagan administration has undertaken a "comprehensive assessment" of U.S. relations in the Middle East and has found "very profound differences" with Israel that could affect military and economic ties.

At the same time, officials said, the United States was seeking "fundamental changes" from such nations as Jordan and Saudi Arabia in terms of their refusal to support the Camp David agreement.

To U.S. officials, the potential departure of the Palestine Liberation Organization from Lebanon offers "opportunities for a breakthrough" in terms of Palestinian self-rule negotiations.

A comprehensive assessment on how to proceed with the peace process is going on, an official said. "The question is how to take advantage of our leverage with all countries in the region in order to achieve a breakthrough in the peace process."

U.S. officials said that the scale of the Israeli attacks affecting the civilian populace in Beirut in recent weeks, and the move last week into West Beirut, has stirred vehement reactions within the administration. The mood of President Reagan was described as "extremely angry."

Aides said that Mr. Reagan was especially frustrated because he had, in vain, publicly and privately implored the Israelis not to shell

the besieged Lebanese capital. And since the Israeli thrust into West Beirut early Wednesday, Mr. Reagan has received a spate of private messages from Philip C. Habib, the special U.S. envoy, saying he found it virtually impossible to negotiate the withdrawal of the trapped Palestinian guerrillas while the violence accelerated.

U.S. officials said that in recent days there had been "enormous antagonism and anger on both sides" — Mr. Habib's relationship with the Israeli defense minister, Ariel Sharon, is said to be frosty — and that, on the assumption that the PLO leaves Lebanon and the Israeli depart, the tensions will remain in U.S.-Israeli relations.

There are "very profound differences" on the issues of Israel establishing settlements in the occupied West Bank and dismissing elected Palestinian mayors in the West Bank and Gaza Strip, according to a U.S. official. Major differences have also arisen over "definitions of moderation," and U.S. support and arms shipments to Saudi Arabia and Jordan, nations that have refused to recognize Israel, the official said.

The Israeli ambassador to the United States, Moshe Arens, said Saturday: "There may be some people who find Saudi Arabia and Jordan more democratic, and better allies, than Israel for the United States, but I'd be surprised."

He said that the issues of the West Bank and Gaza, and Pales-

(Continued on Page 2, Col. 6)



A West Beirut woman, carrying belongings in a suitcase and a shopping bag, ran from her residence Sunday, followed by her husband. A car was waiting to take the couple to East Beirut.

## Begin, in Shift, Reported Willing To Let Some PLO Rebels Delay Exit

**JERUSALEM** — Prime Minister Menachem Begin, in a major softening of Israel's position, said Sunday that Israel was willing to let between 2,000 and 2,500 guerrillas of the Palestine Liberation Organization remain in Beirut until a multinational force was installed in the capital, Israel Army radio reported.

The report said that Mr. Begin would agree to the move only if he received written assurances from the United States, Italy and France that they, together with the Lebanese Army, would force the guerrillas to leave if they refused to do so after the multinational force took up positions.

Should the multinational force fail to move the remaining PLO fighters out, it must leave Lebanon and allow the Israeli Army to do the job, the report said, quoting Mr. Begin without mentioning where or when he spoke.

Mr. Begin received "an important letter" Sunday from the U.S. secretary of state, George P. Shultz, on the negotiations for the PLO pullout, the Israeli Cabinet said in a brief communiqué. It said that the ministers discussed the proposals but did not reveal their details.

**Sharon Pessimistic**

In Beirut, the Israeli defense minister, Ariel Sharon, said earlier that no deal was possible to get the Palestinian guerrillas out of Beirut because no Arab country was willing to give them refuge.

Speaking on Israel Army radio after meeting with Philip C. Habib, the U.S. special envoy, Mr. Sharon said that whatever happened, "in my opinion the terrorists are on the verge of being rooted out of Beirut in one way or another."

Mr. Sharon said that the Arab refusal to accept the guerrillas was the main problem, "and therefore there is no arrangement, agreement or deal possible at the moment."

Mr. Sharon said that Israel's worry was that the multinational force, which under the latest proposals worked out by Mr. Habib would take over West Beirut as the

PLO left, might serve "as a shield or a screen behind which the terrorists could go on functioning in Beirut."

Israeli officials interviewed on U.S. television Sunday also voiced doubts about an agreement on the PLO evacuation.

Yitzhak Shamir, the Israeli foreign minister, said from Jerusalem that important issues remained to be worked out. And the Israeli ambassador to the United States, Moshe Arens, accused the PLO of stalling for time and not negotiating in good faith.

**Egyptian Denial**

Despite these doubts about getting the guerrillas out by diplomacy, other senior Israeli officials expressed guarded optimism in light of the reported willingness of Jordan and Iraq to accept PLO fighters.

Lebanese government officials said Saturday that Syria and Egypt had informed Mr. Habib that they, too, were prepared to accept some of the guerrillas in Beirut.

But the Egyptian foreign minister, Kamal Hassan Ali, said Sunday that Egypt had not softened its position. "Egypt affirms anew that it absolutely will not accept the Palestinians departing Beirut except in the light of an overall solution to the Palestinian problem," Mr. Ali said. "All reports to the contrary are not true."

Israeli officials said Saturday that Israel had received the first "substantive" proposal for the withdrawal of the guerrillas.

The PLO message was relayed Saturday by Mr. Habib, marking the first time that Israeli officials acknowledged receiving concrete

(Continued on Page 2, Col. 6)

## Italian Coalition Quits After Socialists Pull Out

By John Tagliabue  
New York Times Service

**ROME** — The coalition government of Premier Giovanni Spadolini resigned Saturday after the Socialist Party's withdrawal of support.

The future of Mr. Spadolini's five-party coalition, which came to power in July, 1981, was thrown into doubt last week after the Chamber of Deputies, the lower house of Parliament, unexpectedly scuttled plans to cut billions of dollars from the country's towering budget deficit.

After the government's resignation, Bettino Craxi, 48, the leader of the Socialist Party, called on Mr. Spadolini to face the "political consequences."

Mr. Spadolini, the leader of the tiny Republican Party who was the first non-Christian Democrat to serve as premier since World War II, submitted the resignation when he returned to Rome Saturday after talks Friday with President Sandro Pertini in the Alpine Val Gardena region, where Mr. Pertini was vacationing.

Mr. Pertini, 85, Italy's Socialist head of state, has saved Mr. Spadolini's government several times in the past 13 months, but he was distinctly pessimistic and abrupt when he descended from his plane Saturday morning on his return to Rome.

"I do not have a magic wand," he said. "Even if people like to say, when things get tough, 'Now it's Pertini's chance.'"

On Monday, Mr. Pertini will begin consultations with former presidents and parliamentary and party leaders to try to form a new government.

The austerity plan defeated on Wednesday would have severely penalized such professionals as doctors and lawyers for tax eva-

sion and would have curtailed tax benefits enjoyed by the country's petroleum industry.

Seven Socialist ministers in the 28-member Cabinet left the government, protesting what they said was a betrayal of the austerity bill by Christian Democrats who voted against the measures. The Socialists were the second biggest party in the coalition and are the third largest political party in the country after the Christian Democrats and Communists.

Mr. Pertini asked Mr. Spadolini to head Italy's 41st postwar government in 1981, after the government of Premier Arnaldo Forlani stumbled over scandals involving a secret Masonic lodge.

Italy was in the midst of urban terrorism and faced such difficult international decisions as whether to support plans by the North Atlantic Treaty Organization to increase nuclear armaments in Europe.

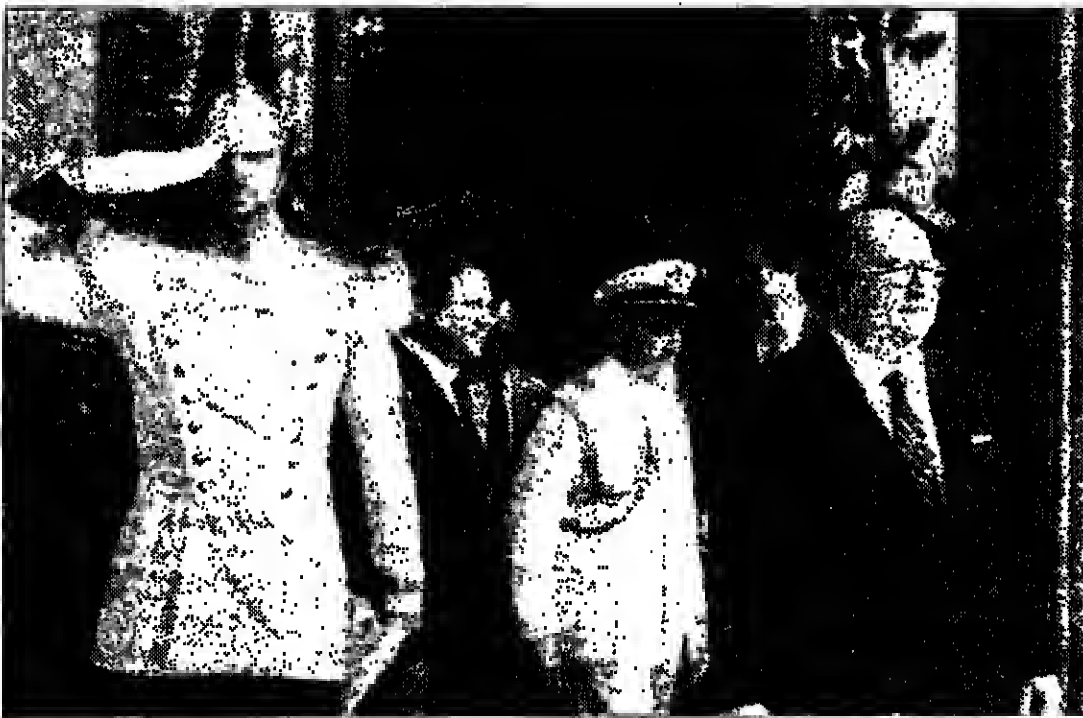
The country was also racked by an economic crisis, as the worldwide recession spilled over into Italy's economy.

A former history professor and journalist, Mr. Spadolini, 57, was known as an intellectual of upright character. He served as minister of culture and of education before becoming head of the party in 1979 and, two years later, premier.

His government made significant successes in the fight against terrorism, and he also mustered necessary support for a decision to station medium-range nuclear-tipped cruise missiles at a NATO base to be built near Comiso, Sicily.

The vote Wednesday by the Chamber of Deputies that scuttled his economic plan was caused, it is widely believed, by the parties' fear that the austerity program might lead to a serious crisis in the fall if it failed to reverse the economy and unemployment continued to climb.

But it seemed clear Saturday that the Socialists exploited the failed vote to topple the government and force new elections.



Premier Giovanni Spadolini, right, leaving the Quirinal Palace after delivering his resignation.

## U.S. to Expand Arms Sales in Effort to Advance Policies

By Richard Halloran  
New York Times Service

**WASHINGTON** — The United States, having begun to increase military aid and arms sales abroad, is planning to expand them steadily through 1984 and beyond in an effort to gain political influence and access to foreign bases, according to senior officials.

The officials said that more financing will be sought to extend greater assistance to more nations, to transfer more advanced weapons, to provide more efficient aid and to widen the kinds of assistance rendered.

"Security assistance is the key to Defense Department implementation of conventional regional strategies," says Defense Guidance, the Pentagon's five-year plan for the armed forces and related agencies.

In particular, the officials assert, selling arms to allied or friendly nations builds up the total military

force that could be brought to bear against the Soviet Union or other adversaries. The United States, they emphasize, cannot do that alone.

The officials say the Defense Resources Board, the Pentagon's top executive committee, is still trying to set a dollar figure for programs to be financed in the 1984 budget. They note the \$6.8-billion figure for this year and the \$8.7 billion requested for 1983 and say they plan to continue the upward trend.

**Increases Expected**

In addition, the officials say, government cash sales of arms are expected to increase from \$5.7 billion this year and commercial weapons exports are estimated to rise from \$1.8 billion this year and \$2.1 billion in 1983.

But Democrats in Congress, according to congressional aides

aware of the administration's intentions, are preparing to make a political issue of the program. The critics assert that an increase in weapons sales will intensify the arms race with the Soviet Union.

To assist the Democrats, the staff of the Senate Democratic Policy Committee is finishing a study on arms sales policy that, staff aides say, will suggest that the administration is violating the Arms Export Control Act.

The administration has sought to pre-empt the opposition by releasing reports contending that the Soviet Union has become the world's leading arms seller and that the United States lags well behind.

Officials say the United States has been undercut by the way arms-purchasing nations have employed advanced weapons in conflicts in the Falklands, Iran, Iraq and Lebanon.

"We are not going to be indiscriminate," an official said, "but we will continue to assist friendly nations."

The administration, according to a new report from the General Accounting Office, a congressional investigative agency, has proposed large increases in credits for military sales in 1983 to South Korea, Thailand, Jordan, Morocco, Tunisia, Spain, Portugal, Turkey, Kenya, Liberia, Somalia, Sudan, Zaire, the Dominican Republic, El Salvador and Honduras. New credits have been proposed for Pakistan.

In all cases, officials say, the administration is seeking to increase political influence, to gain or hold access to bases, to assist nations threatened with internal or external aggression or to counter a nearby Soviet presence.

Congressional staff aides say the Democratic policy analysis being

prepared will contend that such weapons give developing countries military options not open to them before and lessen the ability of the United States to control events.

But administration officials brush aside that charge by arguing that the Soviet Union, France, Israel or some other competitor will make the sales if the United States does not. The officials say the Russians had 19,590 military advisers and technicians in developing countries and was training 11,230 foreign military personnel in the Soviet Union in 1981.

Officials suggest that even more advanced American weapons will be sold. Fighter planes such as the General Dynamics F-16 have become popular and Northrop is eager to sell its new F-5G Tigerhawk, which has been developed for export. Officials say that Jordan, Oman and other nations around the Gulf are likely markets.

**Peace Activist Held**

**MOSCOW** (Reuters) — Sergei Batovrin, one of the founders of an independent Soviet peace group, is being held in a Moscow psychiatric hospital after being detained Friday, friends said Sunday.

They said the police had accused him of evading military service despite his protests that he was exempt for health reasons.

In June, Mr. Batovrin, 25, and 10 other intellectuals formed the Group for the Establishment of Trust Between the USSR and the USA, which calls for closer cultural and social ties to increase

represented "groups and individuals of a social-democratic, Socialist and Eurocommunist orientation," all of which Soviet ideologists regard as anathema.

Dissident sources in Moscow said that these groups appear not to be reform-minded activists but merely intellectuals trying to keep abreast of Western leftist political thinking.

"It is no danger or threat to the authorities, of course, but still they consider it a threat," a source said.

### INSIDE

President Reagan is warning his allies in Congress that failure to pass tax increases this year would be "devastating" to the economy and to Republican election prospects, according to administration officials. Page 3.

The Chinese tennis star whose defection in California last month touched off protests by Peking may have sought asylum because she had come under political attack in China. Page 5.

Supreme Court Justice John Paul Stevens, in a highly unusual airing of the problems of the court, has called for what amounts to a divestiture of major chunks of the court's power. Court analysts called his remarks one of the most important self-criticisms by a Supreme Court justice in recent years. Page 3.

## KGB, Widening Its Net, Arrests Dissidents From the Youthful Elite

By Robert Gillette  
Los Angeles Times Service

**MOSCOW** — State security forces, having all but snuffed out the Soviet Union's tiny, vocal groups of human-rights activists, now appear to have opened a new phase in the long campaign against dissent with a wave of arrests aimed at obscure political and religious groups that have had virtually no contact with the West.

The arrests, which the official press has not reported, have shed light on a previously hidden facet of Soviet dissent. The sweep by the KGB secret police has caught up a number of young, elite intellectuals, who are said to have formed clandestine "socialist discussion groups" sympathetic with Communist parties in Western Europe and "new left" thinking in the West.

According to reliable unofficial sources, members of the groups — some with ties to a leading foreign policy research institute advising the Soviet Communist Party's Central Committee — circulated underground articles on subjects ranging from events in Poland to the Soviet Union's troubled economy.

Members of the so-called "young Socialist"

ers, although little is known about them, most are said to be under age 30.

The participation of the youthful elite, some of whose members are the sons of distinguished party members, in illicit political discussion groups is undoubtedly troubling to the authorities. Given the risks the members took, it suggests deep alienation from orthodox Soviet communism within the strata of privileged Soviet youth with the best chance of someday becoming government officials.

The clandestine nature of the discussion groups, as described by dissident sources, also suggest that they have learned a lesson from the KGB's ruthless campaign over the past 15 years to suppress human-rights advocates who spoke out openly for democratic reforms in the vain hope that Western publicity would protect them.

"Before, people looked for recognition, supposing that it would protect them, but it did not," a respected intellectual said.

He added that, by contrast, most of those arrested recently "are not looking for meetings with foreigners and foreign correspondents. Just the opposite. They want to be quiet. They don't want to be a conspiracy, but they are being

pect to have begun on April 6 with at least 13 arrests in Moscow, Leningrad, Minsk and Kiev and police searches of about 50 apartments in Moscow alone. Arrests and searches have continued sporadically since then.

The sweep has embraced a wide spectrum of people. In addition to the young Socialists, dissident sources said, those arrested or searched include pacifists, right-wing Russian nationalists, "consumer activists," young lawyers, members of religious groups and members of Smot, a loosely knit independent trade-union movement whose leaders are now mostly imprisoned in labor camps and psychiatric institutions.

Some sources suggested that the KGB is warning dissidents it once ignored and arresting those it once merely warned, now that virtually all the major human-rights activists are in prison, labor camps or internal exile.

"The KGB's Department of Political Investigation has 200 investigators," one intellectual said. "If there are no dissidents, do you close the department? No, you keep on working. There exists a net. So you keep catching."

Gauging by the charges against some of them, however, the young Socialists would appear to

be in custody in Moscow's Lefortovo Prison on charges of anti-Soviet agitation and propaganda, an offense carrying a maximum penalty of seven years in prison and five more in internal exile.

Two other young Socialists under arrest are said to have held research jobs in the World Economics and International Relations Institute in Moscow, which advises the Soviet party's Central Committee on foreign policy issues.

Sources said they are accused of illegally copying Russian translations of speeches by European Communist leaders, notably those of Santiago Carrillo, the Spanish party chief. Mr. Carrillo has bitterly criticized Moscow for its role in suppressing Poland's independent trade-union movement, and he maintains that the Soviet Union has failed as a political and economic model for the rest of the world.

Some of those arrested since April are believed to have helped produce a little-known underground journal called Variant, which has circulated in Moscow since 1977.

Shortly before the KGB crackdown began, the leftist French journal L'Alternative published an interview with the anonymous editors of Vari-

ant, which has been under arrest since April 6 with at least 13 arrests in Moscow, Leningrad, Minsk and Kiev and police searches of about 50 apartments in Moscow alone. Arrests and searches have continued sporadically since then.

The sweep has embraced a wide spectrum of people. In addition to the young Socialists, dissident sources said, those arrested or searched include pacifists, right-wing Russian nationalists, "consumer activists," young lawyers, members of religious groups and members of Smot, a loosely knit independent trade-union movement whose leaders are now mostly imprisoned in labor camps and psychiatric institutions.

Some sources suggested that the KGB is warning dissidents it once ignored and arresting those it once merely warned, now that virtually all the major human-rights activists are in prison, labor camps or internal exile.

"The KGB's Department of Political Investigation has 200 investigators," one intellectual said. "If there are no dissidents, do you close the department? No, you keep on working. There exists a net. So you keep catching."



# Vatican Bank Figured in '73 U.S. Organized Crime Probe

By Robert J. Cole  
New York Times Service  
NEW YORK — The president of the Vatican's bank, whose name has come up in Italy in connection with the collapse of Milan's Banco Ambrosiano and the investigation surrounding the collapse, also figured in an investigation a decade ago by the U.S. Justice Department's organized crime strike

force, the former head of the strike force's New York office said. However, William I. Aronwald, who became a New York lawyer after leaving the strike force, said no credible evidence had ever been found to implicate the bank, officially known as the Institute for Religious Works, or its president, Archbishop Paul C. Marcinkus. The investigation centered in

part on a fraudulent scheme by organized crime figures to possibly siphon the Vatican's bank, using unidentified European businessmen to borrow money on counterfeit stocks and bonds of U.S. corporations.

Mr. Aronwald said that Archbishop Marcinkus had denied any knowledge of the scheme or that either he or the bank had been involved. The former strike force official said he and others met with the archbishop in the Vatican in early 1973 to discuss the investigation.

The disclosures are also to be part of a book, "The Vatican Connection," by Richard Hammer, which will be published in the fall. As related by Mr. Aronwald, the Manhattan District Attorney's office, under the late Frank Hogan, placed telephone wiretaps in a downtown bar, turning up evidence that stolen and counterfeit stocks and bonds were being transported overseas. Mr. Hogan's office then turned to the strike force for help, at which point the FBI was brought in.

Mr. Aronwald said Friday that he no longer remembered how the archbishop's name emerged in the investigation but, he added, "There was no question but that we were interested in Marcinkus." He said he had heard from others that the forthcoming book will imply that the administration of Richard M. Nixon might have quashed the investigation but, he added, "nobody ever pressured me to lay off."

Early in the investigation, wiretapped conversations established that Vincent Rizzo, said to be a member of the Vito Genovese organized crime family, was going to Munich to talk to two West German industrialists who owed him several million dollars.

French Housing Development  
As Mr. Aronwald recalled the details, Mr. Rizzo had lent two industrialists stolen securities of the Coca-Cola Bottling Co. of Los Angeles and possibly the Chrysler Corp. to use as collateral for bank loans to finance a housing development in the south of France.

Other wiretaps placed in the Munich hotel, he added, established that the businessmen agreed to a repayment plan, but they did not make good.

At that point, Mr. Aronwald said, Mr. Rizzo returned to Munich, this time with his superior, Matteo delorenzo, reputed to be a high member of the Genovese family.

Mr. Aronwald said that Mr. Rizzo threatened the Germans with physical harm if they did not repay, but because few of the second round of conversations took place at the Munich hotel, little new information was uncovered in the wiretaps.

Both organized crime figures pleaded guilty to interstate transportation of stolen securities and were sentenced to jail terms. Still seeing new leads, other law enforcement officials were sent to West Germany to question the two industrialists, who implicated other Europeans.

Larger Plot Seen  
Mr. Aronwald said that in his estimation a picture began to emerge of plans going far beyond stolen securities, involving an attempt to counterfeit about \$900 million in securities.

"A substantial part of these securities supposedly were earmarked for the Vatican bank," he said. He added that, if the assumption could be made that the information was correct, the question then arose whether the Vatican bank was the victim of a rip-off or "were these people at the Vatican bank culpably involved."



Israeli opponents of the war in Lebanon marching on Saturday in Tel Aviv.

## 2,000 in Israel Ask Pullout From Beirut

TEL AVIV — About 2,000 anti-war protesters marched in Tel Aviv on Saturday, calling on Prime Minister Menachem Begin to withdraw Israeli troops from Beirut.

Israeli television said the demonstration was organized by the leftist Committee Against the War and included Palestinian Arabs from the occupied West Bank of the Jordan River.

The marchers carried signs reading, "Start Negotiations With the PLO" and "Israel-Palestine: Two States for Two Peoples."

No disturbances were reported as the demonstrators marched down a busy Tel Aviv thoroughfare.

In a separate protest Saturday, several members of a group called Citizens Against the War began a hunger strike across from Mr. Begin's office in Jerusalem, the television said.

Israeli troops invaded southern Lebanon on June 6 to drive out the Palestine Liberation Organization. Thousands of PLO guerrillas are trapped in the besieged Lebanese capital as negotiations for their evacuation continue.

An anti-war demonstration July 3 organized by the Peace Now movement drew 50,000 to 70,000 participants. But another demonstration two weeks later in support of the government's policies drew 250,000 people.

## Mitterrand Showing Signs of Floundering

### Questions Raised About Hesitation During Hard Times

By Richard Eder  
New York Times Service  
PARIS — In August the French set aside the troubles that have been fermenting all year, go off on holiday and reckon that, come September, there will be the devil to pay.

By all indications, August could not have come too soon to suit President Francois Mitterrand. A hard spring has given way to a worse summer.

The president's popularity polls, remarkably steady until recently, have taken a sharp plunge. And the other day, Lionel Jospin, Mr. Mitterrand's protégé and the secretary-general of the Socialist Party, predicted "dreadful" years ahead for the party.

Almost since they took office 14 months ago in a burst of pride, but not quite believing their own success, the Socialists have encountered hard going. Some of it was bequeathed to them, some was of their own making. But until recently their difficulties, mostly economic, were counterbalanced by political self-confidence and Mr. Mitterrand's instinct for judging political moods and for political timing.

It is this political instinct that shows signs of unraveling. The president's talent for gauging the preoccupations of a good number of the French seems weaker. There is a sense that things are getting on top of him. Increasingly this is being remarked upon even by newspapers and commentators sympathetic to him. Associates are beginning to be quoted, anonymously, as saying they are concerned about his temper and energy.

Parade Reviewed  
During the Bastille Day festivities on July 14, the president wound up an elaborate and strenuous program by riding down the Champs-Élysées to review a floodlit military parade.

At several points along the way, small groups of rightists booed him. It was not enough of a demonstration to be noticeable to television audiences, and it was mentioned only briefly in two opposition papers the next day. Yet three Socialist leaders immedi-

ately issued statements denouncing the booing as an insult to the president and, in one case, implying that it had been seditious.

As a number of commentators pointed out, this turned a minor incident into a major affair. According to several reports, furthermore, the oddly excessive and simultaneous protests were made at Mr. Mitterrand's suggestion.

It left the impression of a considerable loss of cool by a leader who has owed much of his popularity to his possession of it. Until recently he had managed to appear calm without blandness, pungent without aggressiveness and paternal without condescension.

More than most peoples, the French think of their society in political terms. More than in most democratic countries, including the United States, politics under the constitution of the Fifth Republic of France focuses on the choices, the style and the effect of the president.

The victory of the Socialists last year, after a quarter-century of government by conservative groups, was a mandate for change. The question of what sort of change never was clear. At a minimum it registered a sense that the conservatives had been in power long enough. But the Socialists' words about social justice and the loosening-up of a society that was both stratified and rigid clearly raised real hopes.

Yet there was no agreement among party factions on what the Socialists' program meant. With this lack of definition, and with a party organization that lacked any solid structure or clear hierarchy, the program came to mean Francois Mitterrand.

It is not only that the mistakes and mishaps of his government are attributed to him. The French are aware that things are bad around the world and they are prepared for hardship, at least theoretically. They are cynical, or sensible, enough not to be excessively troubled by politicians' mistakes, at least up to that hard-to-predict point where

so many mistakes have accumulated that revision develops.

Mr. Mitterrand has by no means reached that point. What is beginning to hurt him is the hesitancy and occasional awkwardness of his reactions.

Times were uneasy, if not actually hard, when the Socialists took over. The unemployment rate was 8 percent to 9 percent, the annual inflation rate was close to 14 percent and economic growth had nearly stopped.

The Socialists offered a great many things: growth, employment, a redistribution of income, decentralization of government, popular culture and a new life.

The choices were agonizing for the Socialists and Mr. Mitterrand, who began with expensive changes such as the nationalization of most banks and some industries. Then, confronted with soaring inflation and a collapsing franc, they had to switch to austerity.

And here Mr. Mitterrand seems to have lost his sense of sureness.

The president left it to Prime Minister Pierre Mauroy to announce the radical turnabout: a wage-price freeze, a tight budget and sacrifice all around.

Reaction Dour  
The reaction, though still tentative, has been dour. The unions have hinted at strikes in the fall — there have been remarkably few in the past year — and businessmen have said they will have nothing to invest.

The August break will probably smooth over the general irritability left by Mr. Mitterrand's conduct in office. But it will not do much of itself to obliterate the sense of floundering.

The president's hesitations may be the prelude to a new decision, to making the logical follow-up to the government's austerity program with a genuine national appeal to bolster it.

## Qadhafi Hints Spirits Are High as Polish Pilgrims Carry On Black Madonna's March

By Serge Schmemmann  
New York Times Service  
WARSAW — Singing, laughing, waving and praying, tens of thousands of pilgrims are marching to Czestochowa, seat of Poland's revered national icon, the Black Madonna.

Spirits were high and the pace was brisk as a three-mile-long column stretched through Warsaw Friday at the beginning of the nine-day walk, which is the nation's oldest and holiest pilgrimage.

There were children in strollers, nuns with running shoes and straw hats, bearded youths in T-shirts, old women carrying parasols, crippled

with crutches and musicians with guitars and accordions, but for the march they were all "brother" and "sister."

An isolated Solidarity hat or banner swept past, and priests manning the portable loudspeakers occasionally included in their prayers those union activists who are still internees and prisoners. But the divisive politics and problems of the day were largely laid aside for an event whose spiritual significance for this Roman Catholic nation predates martial law by six centuries.

Traffic police and paramilitary police dotted the route, and an occasional marcher would dart out of the procession to hand them red and white flowers and plant a quick kiss. The officers quickly fell into the spirit, waving and smiling along with the thousands of other Poles who lined the streets to wave the marchers on.

But if the current tensions were left temporarily behind, the very fact of a pilgrimage of such scope taking place in an East European country testified to the extraordinary status the Catholic Church has preserved under a government purportedly committed to atheism.

The goal of the pilgrimage is the Pauline Monastery atop a hill in Czestochowa called Jasna Gora, due south of Warsaw, where for 600 years the Black Madonna has reigned as the patroness of Poland's Catholics. After a Swedish invasion in the 17th century, King Jan Kazimierz crowned the Madonna queen of Poland, the title and role the icon carries to this day.

271-Year History  
The pilgrims from Warsaw, estimated at 40,000 by church authorities, were only one of a half-dozen processions setting out from various Polish cities Friday, intent on congregating on Jasna Gora Aug. 15 to celebrate the feast of the Madonna.

The pilgrimage has been made for 271 years, except for years of war and occupation. By most accounts this year is drawing the largest throng in history because of the 600th anniversary of the installation of the icon in Czestochowa. That celebration, Aug. 26, was the one Pope John Paul II had hoped to attend before his visit was postponed.

After a 7 a.m. Mass the Warsaw group set out, led by the cross to which women would dart from the sidelines to kiss.

The marchers were divided into numbered units and subdivided into groups by color. The discipline was tight, with marshals keeping each group intact and separated sufficiently from the one in front to let traffic pass.

Regular Participant  
In each group a portable loudspeaker led the songs and prayer, often accompanied by tambourines and guitars, giving the march a lighthearted spirit that belied the 80-degree Fahrenheit heat, the hard walking ahead and the difficult logistics of so massive a march.

A 71-year-old woman from a village near the Soviet border said she had made her first pilgrimage seven years earlier, after the intercession of the Black Madonna had cured her of a leg ailment. She has made the march every year since.

"If you do it once, you do it every year," she said.

Ewa Wojcik, 19, is making her sixth pilgrimage.

"The Black Madonna protects our whole nation," she explained to foreigners. "She's the one to whom we address all our prayers."

"If you go once you're hooked. The atmosphere is so great. This year especially is a difficult one, with martial law and the economic problems, so the march has a spe-

## U.S. Claims Victories At Testy Unesco Talks

chaotic and irrelevant Unesco conferences I ever attended and I fear it has hurt the role of Unesco as the body that sets out to be the cultural and scientific conscience of the world," said a very annoyed member of the Dutch delegation. "We achieved nothing that is new."

Although criticism was not aired publicly, a broad range of delegations such as Canada, Japan, Indonesia and a number of Latin American nations felt barred by 240 resolutions rushed through the meetings.

Greek Demands  
A number of African, Latin American and West European delegates deplored the strong attack of France's minister of culture, Jack Lang, on what he called U.S. cultural imperialism. They suggested that this was partly responsible for the tone of politicization and confrontation at the gathering. The American delegation decided not to respond.

Earlier, Greece's minister of culture, actress Melina Mercouri, demanded that Britain return the marbles and statues of the Parthenon in Athens, known as the Elgin Marbles, now in the British Museum.

The conference backed her demand with a resolution, although the United States and most European nations voted against it on the grounds that the issue should be negotiated directly by Britain and Greece.

France, which also holds a number of important Greek antiquities, abstained on that resolution.

The conference also recommended that Jerusalem be included on the world list of endangered cultural monuments.

Cairo Orders 646 Released  
CAIRO — The government has ordered the release of 646 persons who had been detained for the last 10 months under a state of emergency proclaimed following President Anwar Sadat's assassination.

## Front-Line States Decry Cuban Issue In Namibia Talks

TRIPOLI, Libya — A group of African leaders have called on Western nations trying to find an acceptable formula for the independence of South-West Africa (Namibia) to stop raising the issue of Cuban troops in Angola.

Foreign Minister Salim Mohammed Salim of Tanzania quoted the leaders as saying that the prospects for negotiations were "bright," provided parties to the talks refrained from raising the issue of Cuban troops.

After the meeting here of the front-line nations — Angola, Botswana, Lesotho, Swaziland, Tanzania, Zambia and Zimbabwe — Mr. Salim said the question of Cuban troops was not related to a call by the United Nations Security Council for the independence of Namibia. "Such side issues can only impede negotiations," he said.

"The responsibility right now, whether or not we get a negotiated settlement, lies with the South African regime," he said. He added that it is the responsibility of the five Western nations — the United States, Canada, Britain, France and West Germany — "to use their influence to see that negotiations come to a conclusion."

Mr. Salim said the African leaders had "agreed on a series of actions, but declined to go into details. Also at the meeting was the leader of the South-West Africa Peoples Organization (SWAPO), whose guerrillas are fighting South African rule over the former German territory.

## Begin Softens Pullout Stand

suggestions for withdrawal from the U.S. diplomat.

"For the first time we could say that there may be something here after all," a senior official said of the message. "Today, Mr. Habib probably has increased the chance of pulling it off."

The officials emphasized, however, that Israel remained skeptical of PLO intentions and said that the proposals relayed by Mr. Habib did not contain a timetable for withdrawal, which Israel has demanded as a sign of good faith by the Palestinians. They dismissed reports from Beirut that an evacuation could begin as early as Monday, saying that even if there were a final agreement it would take "two or three days" to work out technical aspects of the withdrawal.

Since the start of the Israeli siege, most officials have said that there were about 6,000 PLO fighters who would have to leave. It now appears that the number is closer to 9,000, Lebanese government sources said.

Drinking water was restored to the city for the first time in two weeks, but electricity remained off. There were sporadic artillery and machine gun battles Sunday along the confrontation line separating the Palestinians and the Israelis in the city's southern suburbs and the near-devastated city center.

French Troops Ready  
PARIS (UPI) — A French troop ship was anchored Sunday off Larnaka, Cyprus, to dispatch immediately the first contingent of French troops to Beirut as soon as any agreement is reached in Lebanon on a multinational peacekeeping force, government sources said.

The officials also denied reports from Israel and Lebanon that French Army officers had been sent to Beirut a day ago to discuss French participation in the multinational force.

Indonesia Ferry Sinks; 300 Feared Drowned  
JAKARTA — At least 300 people were feared drowned after an overloaded ship capsized off the Sulawesi coast in Indonesia's second major sea disaster in two years, the national news agency said Sunday.

The 251-ton Harat Mulia ferry, designed to carry 60, was on its way from South Sulawesi to East Borneo with about 400 aboard

## WORLD BRIEFS

### France Checking Pipeline Allegation

PARIS — The French government hopes to learn the results this week of a diplomatic investigation into allegations that the Soviet Union is using forced labor to build the Siberian gas pipeline.

This investigation is being carried out as quickly as possible by the French Embassy in Moscow, a spokesman for the Foreign Ministry said Sunday. The allegation first surfaced on June 25 when the International Society of Human Rights, based in West Germany, said the pipeline was being built with the help of 100,000 inmates, including 10,000 political prisoners.

In Moscow, Tass denied the reports on Sunday. "This dirty falsehood deserves no denial," the agency said. "Any reasonable man will see that such a giant construction project needs the expertise and efforts of a strong industry using the latest achievements of science and technology."

### Corsicans Vote for Local Assembly

AJACCIO, Corsica — Corsicans voted Sunday for a local assembly with extensive powers to run the affairs of the Mediterranean island, the first French region to benefit from the Socialist government's program of decentralization.

The island has been the scene of political violence, much of it blamed on separatists. In the latest of nearly 300 bombing incidents this year, three cars belonging to tourists from the mainland were blown up early Sunday with plastic explosives.

Police were on the alert at polling stations Sunday as dozens of magistrates from the mainland supervised the voting. The island's 206,000 registered voters faced a choice of 17 lists of candidates under a complex proportional system that the government hopes will break the traditional hold of family clans on Corsican politics.

Colombia Swears In New President  
BOGOTA — Belisario Betancur was inaugurated Saturday as president of Colombia and offered the "white flag" to leftist guerrillas who have been battling the government and army for 33 years. Mr. Betancur had promised during his campaign that he would seek a truce with guerrilla groups.

The Conservative leader also said that he wants to bring Colombia into the sphere of nonaligned countries. In remarks prepared for delivery to a joint session of congress after his inauguration, Mr. Betancur said "the grouping of nonaligned nations, despite the wide range of ideological positions, brings together an immense community of states in the Third World."

Kenya Extends Surrender Deadline  
NAIROBI — The Defense Department reported that a "substantial" number of air force personnel have not heeded the government order to surrender after last week's coup attempt and gave them until 6 p.m. Monday to give themselves up. It was the second extension of the government's deadline for surrender.

The announcement, broadcast by state television Saturday, assured the military personnel they would not "be mistreated or manhandled." It said those still at large included both rebels and servicemen on official leave.

House-to-house searches of residential areas were conducted Saturday for rebels and for merchandise stolen during a looting spree that followed the coup attempt Aug. 1.

White Farmer Killed in Zimbabwe  
HARARE, Zimbabwe — The second white farmer in a week has been shot to death in Zimbabwe.

Relatives said Saturday that Philip Ellman-Brown and his wife were driving home from Bulawayo, capital of the troubled province of Matabeleland, when their car was stopped by gunmen. The wife was sent on, but her husband was taken captive and later shot, they said. The incident occurred Thursday near their farm about 50 miles (80 kilometers) north of Bulawayo.

At least 30 civilians are known to have been killed in attacks, mainly in Matabeleland, over the past five months. A white farmer was shot dead by a robber wearing army-style camouflage in eastern Zimbabwe nine days ago.

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.



من الأخبار



# Philadelphia's Mob War: Amateur Hour on the Hit Parade

Police Sit Back and Count the Bodies in Bloody Battles for Atlantic City's Spoils

By Paul Taylor  
Washington Post Service

PHILADELPHIA — They shot him eight times, but somehow could not put him away. Worse, they failed to check the rear-view mirror before they opened fire, because a glimpse would have revealed a police car on routine patrol.

Had they seen that, the mob hit men who gunned down Salvatore Testa, 26, son of a late don, in daylight last week in a busy Philadelphia outdoor food market might have spared themselves the botched execution, the ensuing high-speed police chase, the crash into the utility pole, the arrest, everything.

"All of the old, sophisticated guys have been bumped off, and we're down to the street punks now," a Philadelphia policeman said. "It's turning into a real amateur hour."

Amateurs or not, the Philadelphia mob has been uncommonly busy of late. For decades Philadelphia was a backwater, conservative, branch-office mob operation. Now everyone is fighting for control over the gambling boom town of Atlantic City, N.J.

In the last 28 months, two dons, one consigliere and a dozen other mob associates have been gunned down, bombed, tortured or bludgeoned.

## Flowers for the Mrs.

Early in the game, some of the hits were pulled off with flair. One victim got his from a hired gun who dressed up as flower deliveryman and presented the intended's wife with two pots of poinsettias before emptying six rounds point-blank into her husband.

More typically, the corpses were left in an alley with ashes stuffed in the mouth. Such is the signature that separates a disrespectful hit from a respectful one within Philadelphia's image-conscious underworld.

There is an old police watchword that when the mob starts thinning its ranks, the biggest job for the cops is to

keep count. At least five law enforcement agencies are going to considerable expense to keep tabs on the current slaughter.

On the other hand, while there have been some isolated convictions, there has not been any major break, nor has there been inordinate hand-wringing about it.

"A mob killing is in some ways the best of all worlds," said George Parry, head of the organized crime unit of the district attorney's office. "You get rid of a blood who won't be missed and you are given an investigative predicate to go in and find the killer. Stripped of any moral sense, it's a good deal for law enforcement. As a moral person, of course, I have to lament the loss of life."

## Keeping Count

Others are a bit more blunt. "As long as some little kid doesn't get blown away in the crossfire, I don't think people give a damn," a police official said.

"For the most part, I think our readers see this as something with great entertainment value," said Zachary Stalberg, executive editor of The Philadelphia Daily News, a 300,000-circulation tabloid that swoops in after each mob killing to render the details in Runyonesque, rat-a-tat-tat prose.

Some depict it as a kind of underworld ethical debate between those who think the Philadelphia mob ought to move more aggressively into narcotics and prostitution, and those who would prefer to stick with loan-sharking and numbers.

The hostilities began on March 21, 1980, when Angelo Bruno, Philadelphia's don for 21 bloodless years, was shot after emerging from a late dinner at Cous' Little Italy, a south Philadelphia restaurant where the menu used to feature dishes named after leading local underworld figures.

Mr. Bruno was the sort of boss who believed in low profiles and quiet towns. The FBI has tapes of one of his underlings, the late Frank Sindone — a high-living loan shark —

complaining that his boss made him get rid of a new Cadillac for fear it would attract too much attention.

He was succeeded by Philip (Chicken Man) Testa, who was blown away one year later by a remote-control bomb packed with finishing nails.

By and large, the mob's code of silence has held, but police interviews of possible along the hit-list line have produced some poignant moments. One police investigator described a conversation with Harry (The Hunchback) Riccobene, 72.

"I told him he's about to get whacked, and the old man just sits there, with tears welling in his eyes, complaining about these new kids in the family. He says you just can't talk to them anymore."

The new don appears to be Nicodemus (Little Nicky) Scarfo, a loan shark and gambler now based in Atlantic City. "He's a south Philadelphia bronco with the white shoes, yellow ties and a huge Napoleonic complex," a police official said. "He gets all his dialogue from the movies."

## Not in the Script

Actually, both sides seem intent on providing material for a good script. After the two suspects failed to look in their rear-view mirror and botched the Salvatore Testa execution last week, their bail was set at \$50,000. That allowed them to walk free for \$5,000 in cash, which they produced instantly.

Red-faced, the district attorney, police and judge immediately entered into heavy recriminations over how such a thing had happened. The pair failed to show for a hearing three days later, called to raise their bail to \$10 million each. "I don't know if they're over the Delaware River," their lawyer told the judge the hearing, "or under it."

It was neither. On Friday, the two suspects surrendered to police, had their bail revoked and were taken into custody, certainly writing a new chapter in the history of Philadelphia's mob.

# Reagan to Lobby Allies in Congress To Save Tax Increase From Defeat

By Steven R. Weisman  
New York Times Service

WASHINGTON — President Reagan is warning his allies in Congress that failure to pass tax increases this year would be "devastating" to the economy and to Republican prospects in the November election, according to administration officials.

The president is facing his most serious Republican revolt since taking office in trying to win support for the increases. Somewhat belatedly, the officials said in interviews, Mr. Reagan has realized that only a major personal effort on his part, comparable to the lobbying campaigns he conducted last year to behalf of his tax and spending cuts, would save the tax measure. The bill would raise \$98.5 billion in the next three years.

That realization, and rising fears among his advisers about the potential consequences of defeat, has led Mr. Reagan to defer plans for a California vacation and to step up his lobbying drive with fellow Republicans, the officials said.

At the same time, they said the president was prepared to seek Democratic support for the tax bill by offering to extend expiring unemployment benefits in states with high unemployment and to ease up on proposed cuts in the Medicare program. Officially, the administration opposes such steps.

As of now, Mr. Reagan plans to major television address on the tax bill, a speech many Democrats have urged him to make, but there are plans for him to take up the issue publicly at much greater length than he has recently, White House aides said.

The tax package, now being debated by a House-Senate conference committee, is opposed by several conservative Republicans and some business groups, all of whom supported Mr. Reagan in the past.

It has the support of such Democrats as Rep. Thomas P. O'Neill Jr. of Massachusetts, the House speaker, and Dan Rostenkowski of Illinois, chairman of the House Ways and Means Committee. But

the Democrats have served notice that the bill will not pass without widespread Republican support.

Administration officials concede that there is no such support now. A White House aide said that the president faced the most unusual uphill legislative struggle of his presidency: a struggle to convince his own supporters of the merits of his program.

Several Reagan aides said they were convinced that the long-term success of the president's program was on the line, adding that the defeat of the tax bill would send a signal of mounting deficits to the financial community and drive up interest rates, dooming chances of economic recovery.

"We need to paint a picture to our fellow Republicans of what will happen to the economy because of a revolt within the Republican Party," an administration official said.

The president's move toward more active support of the tax bill

represents another step in what many conservatives view as a gradual departure from the original principles of his economic program.

But to Mr. Reagan and his aides, support of the tax increases, which were pushed by moderate Republicans in the Senate, is a compromise essential to winning support for other pieces of the Reagan program, including his spending cuts of up to \$30 billion this year.

A White House official acknowledged that Mr. Reagan was faced, for the first time in his presidency, with the "unraveling" of the coalition of Republicans and conservative Democrats that gave him a series of congressional victories last year.

The tax cut enacted last year reduced taxes in the fiscal years 1983-85 by \$406 billion, according to the Office of Management and Budget. But that tax cut helped create a projected deficit of more than \$100 billion in the fiscal year 1983, which starts Oct. 1.

To help reduce that deficit and to get a budget through Congress, Mr. Reagan, with some reluctance, is seeking a tax bill that would scale back the original cut by 25 percent.

## Nicaragua Signs Costa Rica Pact

MANAGUA — Representatives of Nicaragua and Costa Rica have signed an agreement designed to end border tensions between the two countries.

The agreement, which was signed Saturday, specifies that Costa Rica will not permit its territory to be used for aggression against Nicaragua and that Nicaragua will not take any steps that could destabilize its neighbor. The countries also agreed to establish a border control commission to fight drugs and arms trafficking.

Costa Rica was one of the strongest supporters of leftist Nicaraguans in their battle three years ago to overthrow the country's rightist dictator, Anastasio Somoza. Since the leftist victory, relations have cooled because of border incidents.

# Whether Joblessness Breeds Crime Still Proves Elusive to Researchers

By Nicholas D. Kristof  
Washington Post Service

WASHINGTON — The last time unemployment rates were this high, John Dillinger was making withdrawals from banks along with Ma Barker and Bonnie and Clyde.

It might seem that the current recession should follow the pattern of the Depression: as workers lose their jobs, more crime is inevitable. However, an analysis of crime data and unemployment rates for the past 20 years shows a confused relationship.

Looking at nationwide crime statistics in seven categories — auto theft, larceny theft, burglary, robbery, property crime, violent crime and overall crimes committed — and using various statistical methods, The Washington Post compared the incidence of crime in the seven categories with nationwide unemployment rates from 1960 through 1980.

Sometimes there seemed to be a connection. In the recession year of 1975, when unemployment reached 8.5 percent, the total crime index reached a peak, with historic highs in violent crime, robbery, burglary and auto theft.

Some of those peaks were reached again in 1979 and 1980 as the crime rate crept up again after dropping in the 1975 recession ended. In general, both the crime and unemployment rates have tended to rise since 1970.

On the other hand, 1961 was also a year of high unemployment,

although by today's standards it seemed tame at 6.7 percent. In that year there were drops in violent crime, murder, rape, robbery and aggravated assault. Furthermore, while the unemployment rate declined from 1961 to 1969, the crime rate rose substantially.

M. Harvey Brenner, a sociologist at Johns Hopkins University, has published controversial findings that there is a link between unemployment and many crimes, particularly murder.

Mr. Brenner says the most important aspect of unemployment is among males aged 15 to 24. If the ratio of unemployed young males to all unemployed people rises, then increases in crime are particularly likely, he said. Many types of crimes, even rape, are affected, he said.

Mr. Brenner said he believes a single percentage point increase in unemployment is associated with a 5.7 percent rise in murders and a 4 percent increase in the number of people in state prisons.

He also reports that each percentage point rise in unemployment is tied to a 4.1 percent increase in suicide, a 1.9 percent rise in the overall mortality rate, and increases of 4.3 percent among men and 2.3 percent among women of people newly admitted to mental hospitals.

While Mr. Brenner stands by these figures six years after he presented them to a congressional committee, he cautions that a recession does not automatically mean more crime. He believes it is safer to say that all things being equal, more unemployment will result in higher crime.

A principal reason for this relationship, according to Mr. Brenner, is stress. When people are out of work, they feel tension. They may feel victimized, and there may be economic pressure for com-

many other causes of crime: increasing use of alcohol and narcotics, urban growth, development of an underclass and demographic and family changes.

James Q. Wilson, of Harvard, another authority on crime, has criticized Mr. Brenner's work and said overall unemployment seems to bear little or no relationship to crime.

Mr. Wilson noted that there are two ways to examine the relationship of unemployment and crime. Researchers can look at crime and unemployment statistics for a number of years and compare them, or they can take a cross-sectional approach, getting areas around the country with high and low unemployment rates and checking whether high unemployment areas have more crime.

When other factors are controlled, Mr. Wilson said, neither approach demonstrates a significant relationship.

## Leftist Unit Claims 2 Paris Bombings

PARIS — Bombs damaged a bank in central Paris Saturday and a tool shop Sunday in eastern Paris, causing heavy damage but no injuries, police reported. Both blasts were claimed by the extreme leftist organization Direct Action.

The bank, Discount Bank, is a subsidiary of the recently nationalized Rothschild group. Direct Action has claimed several attacks in the last year against persons and institutions linked with Israel.

Last month, the group — which is believed to have ties with certain Middle Eastern countries — said that it was responsible for machine-gunning the automobile of

# U.S. Justice Delivers Rare Public Criticism Of High Court's Work

By Fred Barbash  
Washington Post Service

SAN FRANCISCO — In a highly unusual public airing of the problems of the U.S. Supreme Court, Justice John Paul Stevens has called for what amounts to a divestiture of major segments of the court's power.

Justice Stevens' sharp attack on the quality of the Supreme Court's work stunned lawyers and judges who heard his speech before the American Judicature Society on Friday night. Analysts later called his remarks one of the most important criticisms of the Supreme Court by a justice in recent years.

It is exceedingly rare for members of the high court, whose speeches are generally noncontroversial, to use a public forum to discuss internal problems and self-doubts.

But Justice Stevens told his audience that justices are making judgments too quickly in many cases and prematurely in others. He said the court was engaged in "unnecessary lawmaking" and was relegating important elements of its work to the status of "second-class" assignments to be handled by "anonymous" clerks and administrators.

In its zeal to correct every judicial error and resolve every conflict, he said, the court has taken on a crushing burden of cases.

Justice Stevens recommended that the court give up its closely guarded power to determine its caseload through its decision on whether or not to review decisions by lower courts. That authority, he suggested, should be given to a wholly new court.

He also said that a whole class of Supreme Court cases — disputes over legislative interpretation — should be sent back to Congress for resolution rather than continue to have them judged by the federal judiciary.

Justice Stevens said the court had tried last year to hold a meeting to discuss solutions to the problem. "As the term developed, however, and we became more and more deeply involved in the merit of a series of difficult cases, our initial recognition of the overriding importance of evaluating our own workload problems ... gradually dissipated and no such conference was ever held," he said. "We were too busy to decide whether there was anything we could do about the problem of being too busy."

Wade McCree, a former U.S. so-

licit general and a longtime appellate judge, called it "the most extraordinary speech I've ever heard by a Supreme Court justice."

Various justices, including Justice Stevens, have written some of these criticisms in opinions, and outsiders often cite them. However, Mr. McCree, who is now a University of Michigan law professor, said he had never heard such candor from a member of the court in public.

One of the leading academic analysts of the court, Yale Kamisar, also of the University of Michigan Law School, said he was astounded by the speech. "I came here to relax, but found myself writing it all down. It was very unusual," Mr. Kamisar added, however, that he disagreed with the idea of setting up a new court because he considers caseload screening one of the court's most significant functions.

Chief Justice Donald P. Lay of the 8th U.S. Circuit Court of Appeals expressed relief that a member of the court was beginning to recognize what he said lower federal court judges have thought for some time.

"I've got 100 opinions on my desk issued by the court in the last three weeks of its term," Judge Lay said. "I recently told Justice [Harry A.] Blackmun that I hoped I would have time to read them all and if I didn't that I hoped there was nothing I needed to know right away."

The court receives roughly 4,000 petitions for full review each term, a number that has increased sharply over the past decade. But the court only chooses 150 to 200 of those for full briefing, oral argu-

## Autonomy Sought For New Caledonia

United Press International

ROTORUA, New Zealand — Nations attending the Pacific Forum meeting will be asked to seek United Nations aid to end French rule in New Caledonia, Vanuatu's premier, the Rev. Walter Lini, said Sunday.

Father Lini said he would seek the nations' support in referring the issue to the UN Committee on Decolonization. The forum's 12 members are Australia, New Zealand, Papua New Guinea, the Solomon Islands, Western Samoa, Nauru, Niue, Tuvalu and Tonga.

The forum, which begins Monday, will discuss a recommendation that the French be given a further opportunity to demonstrate their stated willingness to move toward independence in New Caledonia, observers said.



John Paul Stevens

ments and opinions. Justice Stevens said this has meant the justices have been treating the screening process as "second-class work."

## Small Portion Seen

"I have found it necessary to delegate a great deal of responsibility in the review of certiorari [review] petitions to my law clerks," he said. "They examine them all and select a small minority that they believe I should read myself. As a result, I do not even look at the papers in over 80 percent of the cases that are filed."

Justice Stevens also said the court agrees to review many more cases than it can handle, partly because it feels the need to correct lower-court errors or because it is unwilling to allow lower-court judges to exercise authority.

He said the court should begin trusting people other than judges to resolve legal disputes and misunderstandings.

He suggested that Congress establish a standing committee "to identify conflicts that need resolution and to draft bills to resolve them one way or the other," as an alternative to resolution of these conflicts by the court.

**DIAMONDS**

**YOUR BEST BUY**

Single diamonds at wholesale prices by ordering direct from Antwerp, the world's most important cut-diamond market. Give diamonds to the ones you love, buy for investment, for your enjoyment.

*Write annual for free price list or call us*

**Joachim Goldenstein**  
diamond expert  
Established 1928

Peltmanstraat 67, B-2000 Antwerp  
Belgium - Tel.: 031 34.75.51  
Telex: 71775 syt h.  
at the Diamond Club Bldg.

*Gold Medal*  
1958

# Reagan Voter Support Is Eroding, Poll Finds

By Richard E. Meyer  
Los Angeles Times Service

LOS ANGELES — More than a third of the Americans who voted for Ronald Reagan for president in 1980 say they would not support him again, mainly because they lack confidence in his economic policies.

A nationwide survey by the Los Angeles Times Poll shows that compared to voters still loyal to the president, those deserting him are more likely to be blue-collar workers and union members and to live in the Midwest and West. In 1980, Mr. Reagan wooed many of these voters away from the Democratic Party.

The poll also shows that the loyalists are more likely than the deserters to be Republicans, conservative and affluent. Many concede that the economy is in bad shape, but they support the president in spite of it.

## Disillusioned Voters

Many members of the Democratic coalition who drifted to the Republicans in 1980 are drifting again. Disillusioned by economic conditions, these voters are up for grabs. Without the support of a substantial number of such voters, the Republicans could lose the presidency in 1984.

Whether those voters will vote Republican or return to the Democratic Party is a key question. So far as the economy is concerned, more than half say they dislike the proposals of both major parties.

The survey of 1,102 persons, conducted by telephone for the five days ending July 7, asked respondents: "Who would you like to see the Republicans nominate for president in 1984?"

Of those who voted for Mr. Reagan in 1980, including Republicans, Democrats and independents, only 49 percent said they wanted him to be renominated. Thirty-five percent said they wanted the Republicans to dump him.

The rest refused to say, saying they were too uninformed to have an opinion or that they had not decided. The poll's margin of error was plus or minus 4 percent.

## Reagan Defectors

Among the Reagan deserters — those who voted for him in 1980 but want the Republicans to nominate someone else in 1984 — 63 percent described the economy as bad. More than half — 64 percent — said they would "rather see the unemployment rate go down, even if that means an increase in inflation."

Among the loyalists — those who voted for Mr. Reagan in 1980 and want him to be renominated — about half also conceded that the economy is in trouble. But 78 percent said that Mr. Reagan is improving it.

## Rhine Reopened to Traffic

KOBLENZ, West Germany — The Rhine, Europe's busiest inland waterway, was reopened to traffic Saturday after the last of 44 German villages last by a Dutch barge

# Give the folks back home a picture of Europe and save enough on the call to paint the town.

When you're having the most colorful trip of your life, let your family and friends have a "look" right along with you. Give them a call. But first, check out all the money-saving tips below, so you have a clear picture of how to call for less.



Bell System

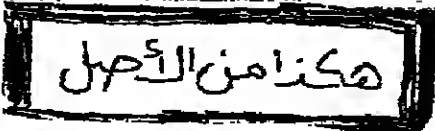
Save on surcharges. Many hotels outside the U.S. charge exorbitant surcharges on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel surcharges reasonable, go ahead and call. No Teleplan? Read on!

There are other ways to save money. Save with a shortie. In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back.

with dollars, not local currency, when you get your next home or office phone bill.

Save these other ways. Telephone Company Calling Card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

Save nights & weekends. Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable. Now





# Herald Tribune

## The U.S. and Israel

From THE NEW YORK TIMES

If President Reagan really wanted Israel to stop strangling West Beirut last week, how come he couldn't? Israel is wholly dependent on American military and economic aid. America is just about its only friend and protector against diplomatic and commercial ostracism. However defiant, the Israelis know who butters their bread, and as vital as the link to the United States. So when Ron insists, why doesn't Menachem listen?

One problem lies in those "Dear Menachem" letters that "Your friend, Ron" kept sending. In Israeli politics, they have been like blank checks, unwitting endorsements of the whole range of Begin policies, from bombing Baghdad to annexing the West Bank. Even if Israelis judge America to be angry now, they think there is a wealth of understanding to be drawn down.

Another problem, paradoxically, is the implication of sudden rage at the White House. Threatening Israel with a loss of aid in mid-war is like waving a bloody shirt. It may even turn defying Uncle into a popular, uplifting demonstration of self-respect.

And finally there was the problem of whether Reagan's outrage was sincere. Even while threatening Israel, he was reaffirming its demand that the PLO leave Lebanon. How can he make that happen except at the point of Israeli bayonets? He may not want to share responsibility for the dirty work, but does he really want it left undone?

Whether the ugly, costly bombardments of West Beirut are in fact worth the expulsion of

a few thousand defeated PLO guerrillas is a reasonable but different question. Even left in place, they could not for a long time threaten Israel again.

But Reagan answered that question for himself a month ago: The PLO must leave. It is now the policy of America and the Arab League, as well as Israel, to reclaim Lebanon for moderate Lebanese. And this can be the foundation for a vigorous new diplomacy that would also resolve the future of the Palestinians.

That diplomacy will inevitably owe something to Israel's brutal ways. And it will require prolonged American pressure to alter Israeli and Jordanian policy in the West Bank. For that pressure to be successful, the lessons of the past week have to be well learned.

Diplomatic pressure is not a tool for crises. Nor can pressure be generated only with alternating blandishments and punishments. What's required is a pattern of sustained actions that address the interests, and fears, of the subjects.

To halt Israel's annexation of the West Bank, for example, will require proof that Jordan is now ready to help negotiate a more secure arrangement. Winning Jordan's help will require persuading King Hussein that his throne is at stake. Diplomacy's tools are levers, not sledgehammers. They cannot shatter rocks, but they can move boulders on a carefully plotted course. How can America exert effective pressure? To power, add policy and persuasion.

## Has Hoover Returned?

From THE WASHINGTON POST

Herbert Hoover is currently making one of his frequent reappearances in U.S. political life. You have probably seen a good many references to him in the past several months, in relation to the state of the economy. With the publication of last month's unemployment figures, you are very likely to be seeing even more of him. In the past he has been evoked mainly on the left, by way of warning against the dangers of economic disaster ahead. It is interesting to see that same theme now turning up on the right, as conservative theorists and business lobbyists try to fight off a tax increase. Raising taxes in the midst of a recession, they argue, will have the same consequences as Hoover's attempts to balance his budget in the Depression.

But watch out. The analogy between the Hoover years and the present situation is exceedingly inexact.

The economic catastrophe of the Hoover years was a collapse of demand. There's still much academic controversy over the causes of it. But in the summer of 1929 — a good two months before the stockmarket crash in October — production and prices began to fall at a dire rate. As incomes fell, people spent less, causing further unemployment in an accelerating spiral. The Depression reached its low point at just about the time Hoover left office, in early 1933. By that time, the gross national product had fallen nearly a third since 1929, and the unemployment rate was 25 percent — in a society with no unemployment compensation, no Social

Security and no bank deposit insurance. Yet, whatever the pains of the present moment, they are of an altogether different order.

There is no sign whatever of a continuing downward spiral. Since the present recession began last summer, GNP has probably fallen about 3 percent. People's personal spending on consumption is holding up almost too nicely — it is higher now than it was at the beginning of the recession. The threat this summer is not a general collapse of incomes and demand, in the manner of 1929. The threat is the continuing oppressive weight of very high interest rates.

The American economy has been flat since early 1979. There have been small ups and downs, but along a plateau. Unemployment has risen by nearly 5 million over those 3½ years, but not because the total number of jobs has plunged as it did in the Hoover period. While the number of jobs has risen since 1979, it has not risen fast enough to keep up with a growing population. There is no reason to hope that employment will rise fast enough until the interest rates come down.

The one thing that the federal government can most usefully do about interest rates is to reduce its own budget deficits. That requires, first of all, the tax increase now moving through Congress. Raising taxes in a moving recession might well be perilous. But by far the greater peril now is the blight of excessive rates, sustained by fears of unmanageable federal deficits. It is a difficult year for the economy, but it is not 1929.

## Other Editorial Opinion

### PLO Must Leave

The PLO must leave Beirut without prevarication or delay. This is not a judgment on their cause but on their circumstances, particularly on what follows for other people if they do not go quietly.

The Israelis have made it clear that the longer the PLO stays in Beirut the more people — most of them innocent bystanders — will be killed, maimed or made destitute. Given Begin's relentless temper only Arafat can put a stop to the appalling carnage of the past weeks. So, like it or not, Arafat has had responsibility foisted upon him.

— The Sunday Times (London).

### The Grand Quarrel

The grand quarrel over the Siberian pipeline is potentially one of the gravest ever to divide the Western Alliance.

It is a straight European-American quarrel, with the major NATO partners united against President Reagan's determination to block Western industrial participation in the pipeline project. And because of Mr. Reagan's amazing decision to use the power of American multinationals in Europe to defy the policies of democratically elected governments, it has also become a dispute over the whole question of American hegemony within the Alliance.

The Americans resent the fact that the "export pipeline" will give the sickly Soviet economy a powerful shot in the arm, up to \$10

billion a year at peak. But can the denial of trade, or the threat of denial, alter Soviet policies to the West's benefit? The European experience over 30 years is that leverage of this sort simply does not work, and that the Soviet Union will always prefer to pay economic penalties rather than allow that kind of leverage to gain any purchase.

There is no evidence that the pipeline embargo has affected its target — Soviet policy towards Poland; European governments are sardonic towards American claims that Gen. Jaruzelski's meager relaxation of martial law is proof that sanctions are working.

— The Observer (London).

### OAU Shambles

What if they gave a summit and nobody came? This week's shambles in the Libyan capital of Tripoli was not as bad as that, but it might as well have been.

The Organization of African Unity should have been holding its 19th annual conference of heads of state and government this week, but could not start on time for lack of a quorum of two thirds, or 34 out of 51.

The link across the Sahara of the black Africans with the Arabs has been a mixed blessing, which has been helpful as well as disruptive. Mediators like Nigeria are going to have to work very hard for a cooling-off period and a summit later in the year so that the truly African issues like Namibia, South Africa and the economic misery can get attention as well.

— The Guardian (London).

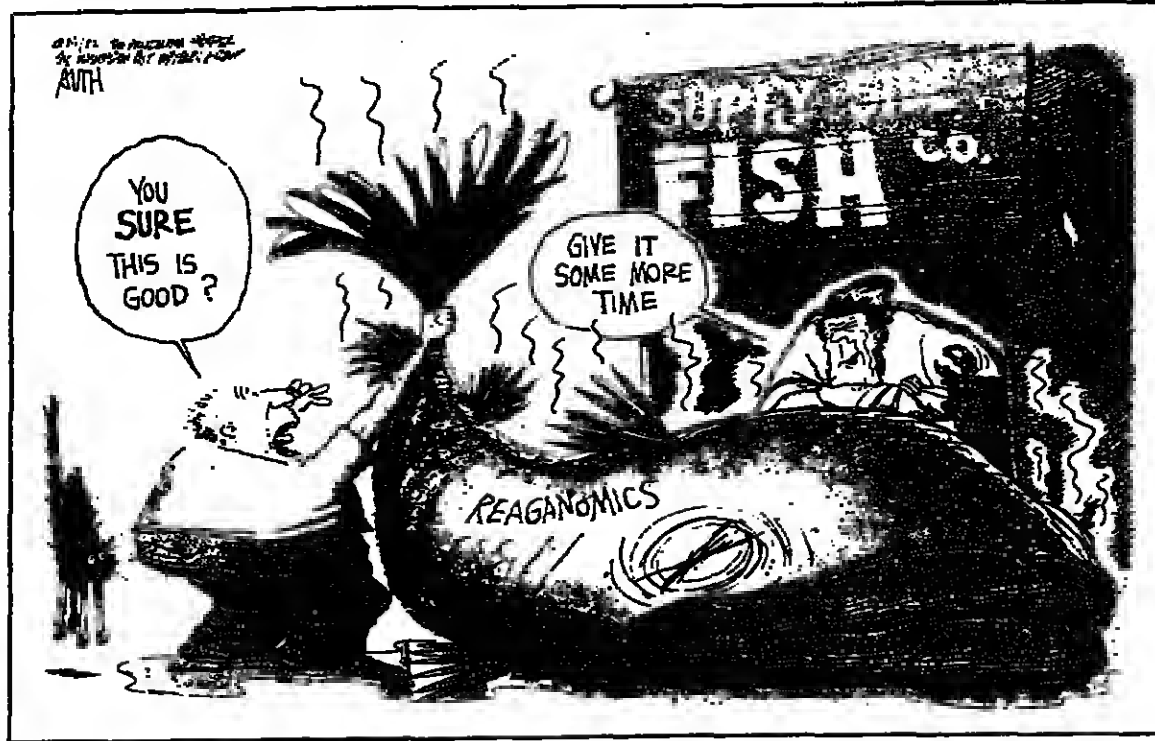
## AUG. 9: FROM OUR PAGES 75 AND 50 YEARS AGO

### 1907: Siamese Surprise

BERLIN — Reports from Bangkok concerning a fresh delimitation between Krat and Battambang after the rainy season came as a perfect surprise to the members of the Siamese court now traveling in Europe. Prince Paribatra, half-brother of the King of Siam, informed a Herald correspondent at the Kaiserhof that he is unaware of any cause for fresh negotiation with France, as the treaty concluded with France in March, 1907, had proved satisfactory to both countries. Diplomatic incidents in Siam may have given rise to the rumor. The King of Siam and his suite, including nine princes, will leave for Wilhelmshöhe, where the king will take tea in the afternoon with the German Empress.

### 1932: Ministers for Hitler

BERLIN — Possible inclusion of Hitler's followers in the Cabinet was officially admitted for the first time when a government spokesman confirmed that the negotiations starting this week between Gen. von Schleicher and Adolf Hitler had to view the assignment of certain portfolios to "men close to the Hitlerites." It was emphasized that the ministry will continue to rely on President von Hindenburg's support for its existence. The move toward making Hitler chancellor is making no progress. Two of his Brownshirt co-leaders, Gregor Strasser and Wilhelm Frick, the two "brains" of the Nazi movement, are known to be opposed to the "Führer's" candidacy for the chancellorship.



## Reagan to Test the Water for Thatcher

By Leonard Downie Jr.

WASHINGTON — Can President Reagan get away with suddenly deflating expectations about economic recovery that he himself had raised so high during the past two years, while stubbornly refusing to change course?

This question is familiar to someone returning to United States from Britain after chronicling the first three years of Prime Minister Margaret Thatcher's similar experiment in survival-of-the-fittest economics of tight money and budget cutting.

Thatcher's economic strategy, like Reagan's now, was long perceived to be failing as Britain plunged deeper into its worst recession in a half-century, and Thatcher's approval rating in the polls plummeted to record lows.

But Thatcher only redoubled her efforts to preach the gospel of Victorian economic virtue, warning Britons that "I'm afraid some things will get worse before they get better."

And, even before her successful prosecution of the war with Argentina over the Falkland Islands, she appeared to be succeeding. Despite only shadowy indications of a faltering improvement in the British economy, based mostly on an increase in industrial efficiency through layoffs and reforms forced by the severity of the recession, Thatcher and her Conservative Party had been making a marked, if somewhat mysterious, recovery in opinion polls.

Peculiarly British factors may account for some of this. Britons have long been inextricably accepting of a steady economic decline relative to other Western nations since World War II; the opposition Labor Party appears to be moving too far to the left for the tastes of British swing voters, and Thatcher's neo-Victorian image appears to appeal to many middle-class Britons disillusioned with the post-war welfare state nurtured with high taxes by both upper-class Conservatives and working-class Labor politicians.

But Thatcher's image of strong leadership and unwavering resolve, now strongly reinforced by events in the Falklands, also appears to have given credibility to her insistence that she can make her economic policies work in the long run if given enough time. While Reagan now is asking voters who will go to the polls in the fall congressional elections to give him another two years to show progress in ending U.S. economic stagnation, Thatcher has told her voters she needs at least another five-year term, and maybe more, to turn the British economy around.

Reagan's new appeal to Americans to have patience and endure pain while he tries to make his economic program work was filled with echoes of what Thatcher has been preaching for more than three years now. He virtually plagiarized Thatcher's repeated exhortations to "resist the call for easy options" that would return a return to using "artificial means to have an artificial boom."

Blaming "a generation" of government inflation of the economy for Britain's woes since she became prime minister — just as Reagan blamed two decades of mostly Democratic government deficits for the still bigger budget holes he now finds himself in — Thatcher has habitually warned that a necessary fundamental

restructuring of the economy "cannot be painless."

Ever since Reagan's election, his supporters have fought off comparisons between his economic policies and Thatcher's because she appeared to be doing so badly. Now Reagan also has been forced to admit that his strategy has been painfully slow to produce any sign of beneficial results. He could only claim, as Thatcher has for months in Britain, that the recession has finally "bottomed out."

He is left, like Thatcher was before the Falklands, with only rhetoric and symbolism as tools with which to maintain political credibility.

Thatcher, with some success, has summoned up images of Britain's imperial past and emphasized Victorian virtues of industry, charity, self-reliance and duty. But she appears to have struck a chord among many members of Britain's growing middle class, who agree with her that drastic change is needed, while still waiting to see if she can keep her promises to reduce taxes and energize the private economy.

White House and other opinion

polls here show that many Americans — especially the formerly Democratic voters who switched to Reagan in 1980 — feel the same way about his presidency. If he can satisfy them for the moment with Thatcher-like rhetoric about the balanced budget amendment, his "new federalism" proposal and the virtue of self-sacrifice for the greater good, the polls show he may have another year in a less-patient America to make real progress in rescuing the economy. This is the apparent foundation for the current White House approach to the fall congressional elections.

Even before the British victory in the Falklands, Thatcher's aides believed she had weathered the worst storms over her economic policies and could still carry her party to victory in Britain's next national election in 1983 or 1984, with the firmness of her resolve in adversity their best campaign issue. They may now have an opportunity to see this judgment pre-tested by how Reagan's Republicans fare with a strikingly similar political strategy.

The writer, national editor of The Washington Post, was until recently the Post's bureau chief in London.

## Some Complaints From Ceausescu

By John B. Oakes

BUCHAREST — Romania, economically the sickest member of the Soviet bloc except for Poland, may at last be emerging from the depths of its foreign-credit crisis. After months of painful negotiation, a \$400-million debt-rescheduling agreement has just been reached with Romania's 15 major Western creditor governments. The 200 private Western banks, to which \$2.8 billion are owed this year, are next in line.

With a total foreign indebtedness of \$11 billion, lagging interest payments and faltering agricultural and industrial production, Romania has suffered a virtual cutoff in credits from the West, including the United States. This has infuriated President Nicolae Ceausescu who, in an interview, indicated his belief that such tough economic policies, particularly on the part of the United States, are politically rather than economically motivated and are politically and economically counterproductive.

Ceausescu has been running Romania as a virtual dictator for almost 20 years. He has been as condemned by Westerners for mismanagement of the economy and for the repressive nature of the regime as he has been praised for the independence of his foreign policy. His own government in petiochemical complexes and steel mills and his underinvestment in agricultural development have turned the country into a net importer of both oil and food, two of its former principal exports.

Yet there is no sign of unrest here, perhaps because Ceausescu's watchful eye over every three adults is said to report on the other two in what is believed to be the most extensive — if not necessarily the most efficient — secret police network in Communist Europe.

Talking in his huge office, hung with French paintings, in Communist Party headquarters, Ceausescu brushes off all such criticism. He points to a tripling of industrial production in the past decade, a \$300-million hard-currency trade surplus last year and a sharp rise in the standard of living — which, however, is still the lowest in Europe except for Albania.

He traces Romania's current economic difficulties with Western governments and private banks not at all to his own investment policies but instead to the United States. He blames Romania's plight primarily on the world's high interest rates, and he blames the high interest rates on America's huge military budget.

Ceausescu believes that the United States as a global creditor is attempting to shift the burden of paying for its arms program to the rest of the world through high-inter-

est policies designed to help cover the cost of the American arms buildup. It is also clear that he believes that the Reagan administration's tough economic policies toward the countries of Eastern Europe tend to drive them ever further away from the West. Romania's trade with the Soviet Union, its chief economic partner, is increasing this year by 15 percent, Ceausescu points out.

He bitterly attacks the notion of linking development of economic relations between states to approval of their political and social systems. He thinks Western economic sanctions against Poland are unjustified. While the imposition of martial law in Poland cannot be applauded, he says, it is a better solution than civil war, which could have resulted and would have only led to intervention by foreign troops. (Romania was the one Warsaw Pact member that failed to furnish even token forces in support of the Soviet-led invasion of Czechoslovakia in 1968.)

Although there have been brief strikes in Romania's coal fields arising from shortages of consumer goods, lack of incentives and poor planning, Ceausescu does not seem worried about the growth of independent trade unions here comparable to Solidarity in Poland, which he dismisses as an anti-Socialist creature of the Roman Catholic Church. In Romania, the dominant church is Orthodox and is closely linked to the government as are the dozen or more other officially recognized "religions."

Ceausescu, having just returned from China and North Korea, perceives the possibility of overcoming the divergences between China and the Soviet Union. China's leaders are interested in a policy of détente and a policy of peace with the Soviet Union, he says, noting that the two powers have agreed to a 40-percent increase in mutual trade this year.

While disavowing any intention to act as a go-between, Ceausescu believes that the problems between the two Eastern giants are capable of solution by direct negotiation once mutual confidence is re-established.

President Leonid I. Brezhnev of the Soviet Union is demonstrating a realistic approach in this direction, says Ceausescu, by diminishing public polemics and developing economic relations. The implication is that Ceausescu would like to see President Reagan do likewise vis-a-vis Eastern Europe.

The writer is the former senior editor of The New York Times.

## Spies: Where Does the Fantasy End?

By Karen Polk

GLEN COVE, N.Y. — I grew up in a house a stone's throw from a non-descript fence that marked the back end of the Killenworth estate here. The fence surrounds the 37 acres and mansion used by the Soviet Union's delegation to the United Nations for its summer residence.

As children, my friends and I fantasized that the place was a hotbed of Soviet espionage, occupied by men wearing black coats, and all of them resembling Alexei Kossygin. Our fantasies were products of a kind of cold war perspective that pitted us against them, G.I. Joe against the Reds.

The disclosure in May that the estate was the home of sophisticated espionage equipment used to spy on important industries on Long Island came as no big surprise to me, now an adult. I knew all along that there was a real reason why no one but the delivery boy from the local market was allowed within the estate complex. And I knew that those were real FBI men perched on top of a nearby building with binoculars. All this only served to reinforce everything my friends and I had imagined to be true as children.

By contrast, Glen Cove officials acted surprised. The federal government was mute. The FBI would neither confirm nor deny the reports that were originally carried on Canadian television and described the intelligence equipment at the estate. Mayor Alan M. Parente and the City Council voted to revoke the rec-

ognition that since Killenworth was a diplomatic residence that paid no taxes to the city and that was engaged in spying, of all things, against the better interests of our nation, Glen Cove would protest in the only manner in its power: It would keep the Russians off the beaches, tennis courts and golf course.

At that time, the council's action seemed oddly appropriate. In the fantasy world in which we still regarded the Russian presence here, the mayor was standing up to the Reds.

For a while there was little reaction. The federal government was indifferent. Then the other day, the State Department finally reacted by requesting that the city council reinstate the recreational privileges. The wording of the letter was strong and stated that Glen Cove was interfering in the proper conduct of international affairs. Washington was seriously concerned that the Soviet diplomats be given the proper privileges.

The affair assumed storybook proportions, and the news media have evoked a comparison with "The Mouse That Roared." It was Glen Cove against the Reds — and now the Reds are back. The whole thing seemed a little silly.

There is more to this story though. A few months ago, someone took pot shots at windows on the estate. They used real bullets. In years past, dem-

ing to the local high school, were accompanied by bomb threats and the discovery of mysterious packages at the entrance. The whole thing isn't really so silly after all.

The city has taken action and the government has deemed it a legitimate concern. And now the Soviet regime has retaliated by barring our diplomats in Moscow from using a beach on the Moskva River.

Why didn't the State Department ever inform Glen Cove about the seriousness or the extent of the Soviet operations going on within its boundaries? And why is the city then left with none other than the ridiculous policy of revoking tennis passes to protest a spying operation that seems to operate with impunity?

All recent attempts by Glen Cove to learn anything about the operation have been met by statements from the FBI that the information is classified. There is probably spying going on, the bureau says, but its lips are sealed about details.

Intelligence operations have always thrived under a veil of secrecy. Equality, fantasies and misconceptions and delusions and even silliness thrive on the mystery of intelligence operations. Maybe our childhood imaginings were not farfetched, and then again maybe they were. We don't really know for sure. But at least now we know a little bit better who is responsible for perpetuating them.

The writer, a reporter for The Glen

## Nuclear Arms Control: Is There Any Hope Left?

By Judith Miller

WASHINGTON — What kind of arms control strategies should the United States pursue, and what can they reasonably be expected to accomplish?

Those questions are the nub of an arcane but intense debate triggered by President Reagan's recent decision not to resume talks on a comprehensive ban on nuclear tests and not to ratify two treaties on nuclear testing that were negotiated several years ago with the Soviet Union.

Democrats and several moderate Republicans have criticized the decision, asserting that it reflects the Reagan administration's lack of real commitment to arms control. But administration officials argue that in the long run, Mr. Reagan's decision, especially his determination to improve monitoring provisions of the treaties before seeking Senate approval, will win support.

The decision, the officials assert, reflects an effort to "level" with the American people about what arms control measures can realistically achieve. This, they say, is in the best interests of not only the nation but also of arms control.

The approach is risky, partly because the administration has had credibility problems in this area. Many Americans have been frightened by talk by some U.S. officials about "limited" nuclear wars and vast civil defense programs. Even after the administration unveiled proposals calling for eliminating intermediate-range nuclear weapons based in Europe and reducing Soviet and U.S. strategic arsenals by a third, several critics of the administration saw the initiatives as merely an effort to defuse the growing nuclear disarmament movements here and in Europe.

Given this backdrop, many arms control experts do not accept the White House's assertions that the questionable effectiveness of verification techniques makes it undesirable now to ratify the Threshold Test Ban Treaty and a companion treaty, which limit weapons and peaceful nuclear testing to explosive power equal to 150,000 tons of dynamite.

Several arms specialists also suggest that the scuttling of talks aimed at a total test ban is, along with the determination to improve the treaties' monitoring provisions, a "ploy" to mask the administration's desire to continue testing at an even higher level than the 150-kiloton threshold.

Albert Camasse, a Harvard professor and Carter administration adviser, argues that verification appears about to become the *sine qua non* of arms control, rather than just one measure of a good agreement.

"If perfect, or near perfect, verification becomes a necessary condition of arms control accords, either we won't have any, or they'll be devoid of substance," he said.

In response, the administration argues that "near perfect" verification was never an issue in the threshold treaty. On 11 occasions, they say, the Russians might have gone over the 150-kiloton threshold.

"We would be hooted out of the Senate if we sought approval of a treaty in which a Soviet test could be as large as 600 kilotons, or as small as 70," said one official, who asked not to be identified. "That kind of treaty, with our experience to date, would make a mockery of arms control accords."

Administration officials also assert that evidence that the Soviet Union may have violated the agreements banning chemical and biological weapons has generated widespread skepticism about Soviet compliance with accords that do not have fool-proof monitoring arrangements. They note, too, that even the Carter administration, which ardently supported arms control, did not press for Senate approval of the treaty.

While arms control experts disagree over what should be done about the threshold test, deeper philosophical differences emerge in the debate over whether the nation should pursue a comprehensive test ban.

Helmut Sonnenfeldt, a scholar at the Brookings Institute who served in foreign policy posts in Republican and Democratic administrations, says that while every administration since Eisenhower's has adopted a total test ban as its goal, "they've all shared the same doubts about its wisdom."

A comprehensive ban, he says, "reflects a view that technology is bad." Nuclear weapons of the 1950s were the "biggest, dirtiest, most accident-prone and least subject to political control," Mr. Sonnenfeldt maintains, "and we might well be worse off had new technology not been tested."

Administration officials are portraying the comprehensive test ban as a throwback to an era in which it was thought that arms control accords could eradicate nuclear weapons.

"As long as deterrence depends on nuclear weapons," said an official who requested anonymity "both sides had better have confidence that their missiles will work."

The New York Times.

## LETTERS TO THE EDITOR

### Namibia Make-Believe

R.H. Goris of the South African Embassy in Paris (*Letters*, June 17) and embassy in Pretoria report the report of the Southern African Bishop's conference on the atrocities committed by the South African army of occupation in Namibia as reported by Mr. Allister Sparks on May 17.

Mr. Goris alleged that Mr. Sparks had only "told one side of the story" and that the bishops' report also "mentioned atrocities on both sides, i.e., also by SWAPO." This claim only exists in the imagination of the Southern African make-believe. Would it not be suicidal for SWAPO, which draws its overwhelming support from the Namibian people, to commit atrocities against them?

TULIAMENT KALOMOH, SWAPO Chief Representative, Paris.

### New World

Regarding "Salvador's Certification" (*HT*, July 29): Your editorial class "it continues to be worth the American while to pursue a better society in El Salvador." Why stop there? Let's pursue a better society in Pakistan, South Korea, the Philippines, Guatemala and (why not) Nicaragua.

Let's define this better society in vague but ringing generalities, install it at gunpoint, and eliminate anyone with a different definition. And for the skeptics who are wondering who assigned us the task of universal government, here are some universal principles:

1. Divine Right, or (my favorite) 5. The Burdens of History. PHILIP WOHLSTETTER, Paris.

### U.S. Hypocrisy

Regarding "An Official U.S. View on Moves to Stop the Pipeline" (*HT*, July 24-25): U.S. Ambassador to France Evan Galbraith thinks the United States is justified in harming the Siberian gasline project because "Soviet military aggressiveness continues around the world." If Washington holds such noble thoughts, it should stop the arms shipments that are killing innocent Lebanese and keeping rightist tyrants in power. It should cease backing Somoza guerrillas, some of whom train in Florida, who threaten an attack on Nicaragua to restore dictatorship. It should, in other words, stop being hypocritical. CHARLES L. SMITH, Madrid.

### More on the Whale

A change in consumer habits will do more to save the whale than economic sanctions against Japan. The book review on (*HT*, July 28) states that "The Japanese kill almost 1000 sperm whales each year for such products as chicken feed and tennis racket strings." So at least environmentalists who are chicken raisers and/or tennis players know what they can do to save whales, but what about the rest of us? More information, please.

JOHN HAY WHITNEY (1904-1982), Chairman  
KATHARINE GRAHAM and ARTHUR OCHS SULZBERGER, Co-Chairmen

LEE W. HUEBNER, Publisher  
Executive Editor: ROLAND PINSON  
Editor: RENE BONDI  
Deputy Editor: FRANCIS DREMAISSONS  
Deputy Editor: RICHARD H. MORGAN  
Associate Editor: Director of Finance  
Director of Circulation  
Director of Advertising

PHILIP M. FOISIE  
WALTER WELLS  
ROBERT K. MCABE  
SAMUEL ABT  
CARL GEWIRTZ

International Herald Tribune, 181 Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France  
Telephone 747-1265. Telex 612718 (Herald), Cables Herald Paris.

Directeur de la publication: Walter N. Thayer.  
General Manager, Asia: Alain Lecour, 24-34 Hémery Rd., Hong Kong. Tel. 5-28 56 18. Telex 61170.  
S.A. au capital de 1.200.000 F. R.C.S. Nanterre 732021125. Copropriété Paritaire No. 34231.  
U.S. subscription: \$250 yearly. Second-class postage paid at Long Island City, N.Y. 11101.  
© 1982 International Herald Tribune

مكتبة الأصيل



## Before She Left China, Tennis Star Reportedly Was Target of Hostility

By Fox Butterfield  
New York Times Service

BOSTON — The Chinese tennis player whose defection in California last month touched off protests by Peking may have sought asylum because she had been criticized in China as being too Westernized and bourgeois.

According to tennis players from Taiwan who talked with the Chinese woman, Hu Na, she complained that when she returned from several earlier tours abroad she had been forced to undergo self-criticism sessions.

In these meetings, which lasted several hours, Miss Hu, 19, said she was criticized for being too carefree and for wearing her long hair loose. Most Chinese women with long hair keep it in braids.

Reports of Miss Hu's conversations with the players from Taiwan have appeared in the press in Taipei.

The Chinese Foreign Ministry warned last week that cultural exchanges between China and the United States would suffer if the Reagan administration granted political asylum to Miss Hu.

### In Seclusion

Miss Hu has been in seclusion and unavailable for comment since she disappeared from the hotel where the Chinese women's team was staying on July 20 during the Federation Cup tournament in Santa Clara, Calif.

She has been represented by a Chinese-American lawyer in San Francisco, Edward C.Y. Lan, who specializes in immigration work and who has close ties to the Nationalist government on Taiwan, according to friends.

Mr. Lan, in a telephone conversation, declined to say what Miss Hu's grounds were for seeking asylum in the United States. "It is not to our benefit to blow this out of proportion and embarrass governments," Mr. Lan said.

But he contended that it was incorrect to compare Miss Hu's situation

with that of Martina Navratilova, the Czechoslovak-born tennis star who has become the No. 1 female player in the world since her defection to the United States in 1975.

Miss Hu, he said, "is under no illusions about her ability to play professional tennis now." Although considered a gifted athlete, she was not even China's top-rated female player and has never won a major professional tournament.

### Scholarship Sought

Her first goal, Mr. Lan asserted, is to learn to speak English. She then hopes to find a college that will give her a tennis scholarship, he added.

Miss Hu's decision to defect offers some unusual glimpses into the normally closed world of sports in China. For years, while Mao was alive, the Chinese insisted that they put friendship before winning in international sports.

Peking still says that all of its athletes are amateurs. In fact, however, China maintains a system of special schools, camps and dormitories for training young athletes and pays members of its national teams a salary so they do not have to hold jobs.

One reason for Peking's angry reaction to the defection is that in the past almost no prominent Chinese athletes, writers or musicians have forsaken their country. That is a sharp contrast to the frequent defections by Soviet citizens.

In part this lower number of Chinese defections can be traced to the tighter control China has exercised over its citizens going abroad. Another cause, however, is China's intense patriotism, which makes defectors appear to be traitors.

Communist diplomats are also reported to have expressed suspicion that Taiwan may have been responsible for engineering Miss Hu's defection. But her lawyer said, "To my knowledge, there's been no involvement by officials from Taiwan."

## Peking Says Russia Is Still Main Threat

Review Compares U.S., Soviet 'Hegemonies'

Reuters

PEKING — China still views the Soviet Union rather than the United States as more of a threat to world peace, and it seeks cooperation with all developing countries except Cuba and Vietnam, an official magazine said Sunday.

Clarifying China's stance toward the two superpowers, the weekly Peking Review said that both nations were essentially "hegemonists," that they sought domination over other nations. "However, as the Soviet Union is on the offensive and the United States is on the defensive in their competition, the major threat to world peace today comes from the Soviet Union," it said.

The official English language magazine added that China also opposed Washington's "hegemonism," listing as examples U.S. support for South Africa against Namibian guerrillas, for Israel against the Palestinians, and for rightist Central American governments and South Korea.

### Taiwan Issue

It said that another "hegemonist deed" of the United States was its continued sales of weapons to Taiwan, which Peking regards as an integral part of the People's Republic of China. And, it added, "although the strength of the United States has been weakened compared with the past, it still seeks hegemonism," it said.

After President Reagan's election, China shifted from the relatively pro-American stance that it adopted after the two countries normalized their relations in 1979 to become more even-handed in its criticisms of the external affairs of Washington and Moscow.

The Peking Review article indicated, however, that a strong anti-Soviet stance was still one of the main elements of Chinese foreign policy. It said that China wished to strengthen cooperation with other Third World countries, in line with Mao's "Three Worlds Theory," which it said was still valid.

But it specifically excluded Cuba and Vietnam, saying that those countries had become "tools of the Soviet policy of aggression and expansion."

It said that China directed the "spearshead of its anti-hegemonist struggle toward Moscow because the Kremlin behaved deceptively," and was trying to achieve its goal of expansion by waving the banner of Socialism and styling itself as the "natural ally" of the Third World.

The article indicated that a major reason for Peking's anti-Soviet stance was that Moscow had tried to manipulate China when it provided it with technical assistance in the 1950s, before the 1960 Chinese-Soviet split. It called on Third World countries to be cautious when accepting Soviet aid to day even though they might need it for domestic reasons or in a struggle against the United States.



WATER LANDING — A Sunderland flying boat, built during World War II, taxis under the raised arms of the Tower Bridge in London after having landed on the River Thames.

## Failure to Put Key Source on Stand Swung Jurors in Post's Libel Trial

By Kenneth Bredemeyer  
Washington Post Service

WASHINGTON — Four of the jurors who decided last week that The Washington Post had libeled William P. Tavoulareas, the president of Mobil Oil Corp., initially supported the newspaper but acceded to the position of the other jurors in order to avoid a hung jury.

The critical factor in the jury's decision, according to three jurors interviewed last week, was the fact that the key source for The Post's 1979 article on Mr. Tavoulareas' business dealings, George Comnas, a shipping executive, was not called as a witness by The Post's attorney.

One juror, who described herself as the last holdout before the jury decided in favor of Mr. Tavoulareas, said she agreed to the verdict because "the pressure was getting to me. I started having palpitations. I think it was a wrong decision, a total wrong decision."

She said it should have been a hung jury, but declined to be identified by name.

The jury, after deliberating 18½ hours over three days, found that the article by Patrick Tyler libeled the Mobil president, who was awarded \$2.05 million in compensatory and punitive damages.

The article detailed the 1974 creation of Atlas Maritime Co., a London-based shipping management firm in which Mr. Tavoulareas' son, Peter, was a partner. The article described how the company did business with the Saudi Maritime Co., a shipping firm in which Mobil is a partner.

The younger Mr. Tavoulareas also sued The Post, but was given nothing. In a companion case, the jury found that Dr. Philip Firo, an eye surgeon and former son-in-law of the elder Mr. Tavoulareas who was an early source for the story, had slandered both and awarded the Mobil president \$3,000 and his son \$1,000.

E. Franklin Johnson, a 56-year-old U.S. Commerce Department oceanographer, and two other jurors who declined to be identified said they believed the basic accuracy of the story. He said he and the others were unable to cite specific evidence supporting their position to the two jurors who did not believe the elder Mr. Tavoulareas was involved in the establishment of his son in the London business.

Mr. Johnson said the two jurors against The Post from the start said, "Go through the 160 documents and show me where William set up Peter." They asked me for concrete proof. I could not find one piece.

The two jurors who favored Mr.

## Brochure to Aid Absentee Voters Prepared by U.S.

International Herald Tribune

WASHINGTON — To encourage voting in 1982 U.S. state and federal elections by overseas Americans, the Federal Voting Assistance Program has released a brochure that provides answers to the most frequently asked questions on absentee voting rights and procedures.

It is based on the findings of a survey taken immediately after the 1980 elections. The reason most often given by those abroad for not voting was that they did not know how to obtain a ballot.

According to Henry Valentino, the voting program director, the brochure will be distributed to military installations, U.S. embassies and consulates, companies with U.S. citizens overseas, passport offices, airlines and organizations serving U.S. citizens abroad.

Under the provisions of the Overseas Voting Rights Act of 1975 every U.S. citizen at least 18 years old has the right to vote in federal and state elections without danger of incurring added tax liabilities or losing overseas residence status. The 1982 elections will be held on Nov. 2, with all 435 seats in the House of Representatives and 33 Senate seats at stake. At the state level there will be 36 gubernatorial contests and more than 6,300 races for state legislatures.

For more information on absentee ballots, prospective voters should contact U.S. embassies or consulates, military or corporate voting offices or local Republican and Democratic organizations. They may also write to: Director, Federal Voting Assistance Program; Office of the Secretary of

## Paper Reports Galtieri Wanted Troop Pullout

The Associated Press

LONDON — Lt. Gen. Leopoldo F. Galtieri of Argentina wanted to end the Falkland Islands conflict six weeks before Britain forced a surrender, but he was blocked by a hard-line member of his ruling military junta, The Sunday Times of London said.

The newspaper said that Gen. Galtieri, then president of the country, decided to withdraw his troops and start immediate negotiations on April 29, the day before the United States announced that it was going to support Britain and impose sanctions against Argentina.

### Admiral Admiral

But Gen. Galtieri was overruled by Adm. Jorge Isaac Anaya, the navy's hawkish representative on the junta who feared that a withdrawal would bring a huge protest from the Argentine people. The Sunday Times said. Without Adm. Anaya's support, the army general could not force through his order, the newspaper said.

Gen. Galtieri resigned as president shortly after Britain recaptured the Falkland Islands on June 14.

The Sunday Times, which disclosed none of its sources, said that the Argentine government learned through diplomatic channels late on the night of April 29 that the United States would announce its full backing of Britain the following morning.

The newspaper said that the Argentine president was told that the change in policy would be officially conveyed to the junta at 11 a.m. April 30, and that Argentine lead-

ers would have one hour to react before it was publicly announced.

Gen. Galtieri's "face turned gray as the implications sank in," according to "observers" quoted by The Sunday Times. "Realizing that the military and diplomatic balance had altered dramatically in Britain's favor, he immediately called a meeting of the junta to try to persuade them to announce the acceptance of UN Resolution 502 and a consequent withdrawal of troops," the newspaper said.

But, it said, Gen. Galtieri was unable to persuade Adm. Anaya, and "from then on the only option was a Falklands war to the death."

The newspaper gave no indication of the position taken by the other member of the junta, Gen. Basilio Lami Dozo of the air force.

### Islanders' Case at UN

STANLEY, Falkland Islands (AP) — Two Falkland Islands legislators were to leave for New York on Monday to put the case of the British-ruled residents before the UN Committee on Decolonization, a strong backer of Argentina's claim to sovereignty.

Tony Blake and John Cheek, both members of the Falklands' legislative council, will be the first islanders to speak directly to the panel, known as the Committee of 24.

The Committee on Decolonization, whose membership is dominated by Third World countries, has repeatedly urged Britain and Argentina to negotiate a solution that would give sovereignty to Buenos Aires.

## LOOK INTO SINGAPORE 1986

There has never been anything like Raffles City in this century. Two luxurious Westin Hotels open in 1986, along with the ultimate meeting space: two grand ballrooms and 40 other meeting areas totalling over 6,000 meters (65,000 sq. ft.). For your free copy of "The Ultimate Meeting Space," attach your business card to this ad and send to: Westin Hotels in London, 7-8 Conduit St., London W1R 9TG, United Kingdom; Tokyo, Yurakucho Bldg., #405, 1-10-1, Yurakucho, Chiyoda-ku, Tokyo 100, or London TELEX 22144, Tokyo TELEX 2224507.

WESTIN HOTELS LIT 8-9-82

## Java Drought Imperils Dry-Season Rice Crop

By Colin Campbell  
New York Times Service

SURAKARTA, Indonesia — There is never much rain this time of year in Indonesia, but the skies here in central Java have been so cloudless since May that the dry-season rice crop is suffering, and for many Java's drought will mean serious trouble.

Reports of tens of thousands of damaged acres in central Java alone have reminded Western agricultural experts that the Indonesian government's predictions last year of imminent self-sufficiency in food were premature.

A normal dry-season rice crop produces a quarter or more of the year's total in Indonesia. But the Minister of Agriculture announced recently that production this year would probably not equal 1981's despite a record wet-season harvest.

### Western Estimates

According to Western agronomists, the government will soon be forced to import several hundred thousand tons of rice beyond the 325,000 tons it has already purchased this year if it wants to keep its buffer stocks high. Since 1979, when the government had to import two and a half million tons of rice, it has shown no inclination to let reserves drop much below that figure.

A report by the U.S. Embassy in Jakarta said a month ago that rice supplies were probably adequate, despite early signs of drought, "unless new crop disappearance rates are exceedingly high."

Since then, in an unusual show of candor, the government has begun to detail the drought's damage. Around the city of Surakarta, especially in areas with little or no irrigation, more than 55,000 acres of rice have been declared incapable of being harvested, and about 70,000 acres elsewhere on Java are expected to yield no rice.

Parts of normally green Java, green even in a normal dry season, are visibly parched. More than the usual numbers of fields have been left unplanted, local farmers say, and the water in irrigation ditches is running low or not at all.

Given the size of most farms in central Java — under an acre — the livelihoods of hundreds of thousands of people are expected to be affected.

### Preliminary Reports

Preliminary reports of even drier conditions in overpopulated East Java and Bali, as well as in Celebes, Lombok and Sumatra, have reached Western embassies in Jakarta. There have been few reports from the normally still drier islands farther east of Sumatra, Flores and Timor.

The government's rice stocks, its ability to buy rice abroad and, most of all, the huge wet-season harvest all make emergencies unlikely. Yet even the government concedes that last year's record 22.3 million tons of rice provided a less-than-adequate diet for the country's population of 154 million. Indonesia's food, moreover, like all its wealth, is unevenly distributed.

The drought could combine with

localized afflictions to damage the crop even when it matures, according to agronomists.

Government officials said that rice prices had been rising in some drought-stricken areas of East Java.

It is still uncertain if the drought has damaged less-fundamental crops such as corn, soybeans and sugar cane.

In about a month, *pacelitik*, or the "season of hunger," will begin. In less-productive years than Indonesia has known lately, *pacelitik* ended only with the start of the rainy season in October or November, when quick-growing vegetables could be planted.

## ASEAN Urges Support For Cambodian Rebels

The Associated Press

BANGKOK — The foreign ministers of the Association of Southeast Asian Nations said Saturday that there had been no change in Vietnam's policy toward Cambodia, where Hanoi has about 180,000 troops. It urged the international community to support an anti-Vietnamese coalition in Cambodia headed by Prince Norodom Sihanouk.

A statement at the end of a meeting of the five ASEAN countries — Thailand, Indonesia, Malaysia, Singapore and the Philippines — stressed that the key to the Cambodian problem remains the withdrawal of foreign troops and the right to self-determination of the Cambodian people.

Vietnam's foreign minister, Nguyen Co Thach, said at a press

## Japanese Officials Sent to China Over Textbook Dispute

United Press International

TOKYO — Premier Zenko Suzuki's government dispatched two senior officials to Peking Sunday in hopes of settling the bitter dispute over textbook revisions that China says gloss over Japanese atrocities.

Government officials said Hiroshi Hashimoto of the Foreign Ministry and Hitoshi Osaki of the Education Ministry are scheduled to stay in Peking until Tuesday and explain Japan's stance on the issue and the process through which history textbooks are screened.

High school history textbooks to be used beginning in April tout down accounts of the conduct of Japanese troops in China before and during World War II and during Japan's 35-year colonial rule of Korea. They refer to Japan's invasion of China as an "advance" and to forced labor by Korean workers as a "mobilization." Detailed accounts of the Japanese massacre of about 200,000 Chinese at Nanking in 1937 have been dropped entirely.

China and South Korea reacted to the revisions with bitter official protests. Criticism was also voiced in Taiwan and North Korea. On Aug. 1, China withdrew its invitation to Japan's education minister,

conference in Bangkok last week that his country will not pull its troops from Cambodia until China guarantees that it will not threaten the stability of Indochina.

### Support for Khmer Rouge

At a press conference Saturday at which the ASEAN statement was issued, Carlos Romulo, the Philippine foreign minister, said much of the meeting had been spent discussing tactics for the fall UN General Assembly session, where another voting showdown is expected over who represents Cambodia.

For the past three years ASEAN has led a successful diplomatic offensive that has kept the deposed Khmer Rouge regime at the United Nations despite the opposition of the Soviet Union, Vietnam and other pro-Moscow countries, which are seeking the entry of the pro-Hanoi government of President Heng Samrin in Phnom Penh.

Hanoi contends that the Khmer Rouge leaders, who are part of the new coalition, are Chinese puppets and would imperil Vietnamese security if they returned to power.

Some of the ASEAN ministers tried to downplay the murderous image of the Khmer Rouge, who set in motion a bloody revolution before being deposed by the 1978 Vietnamese invasion.

"What Pol Pot [the Khmer Rouge leader] did in the past is condemned by every ASEAN foreign minister and their respective countries," Mr. Romulo said. "We must look to the future, not the past."

In a separate development, Mr. Samrin's government announced that Cambodia's territorial waters extend 12 nautical miles and also claimed a 200-mile (320-kilometer) offshore "economic zone."

## More Gains in Revenue Forecast for Suez Canal

The Associated Press

CAIRO — The chairman of the Suez Canal Authority, Moshour Ahmed Moshour, said Sunday that the canal's annual revenue will reach \$1.25 billion by 1983 and \$2.5 billion in the year 2000, the official Middle East News Agency reported.

Since the resumption of navigation in the canal in 1975, revenue

## Capability is...

Constructing an expressway in Iraq

Linking two islands via a 2.162 km. bridge

Boosting the production of phosphate fertilizer

Meeting varied needs in many places

Confidence through capability



CONSTRUCTION & DEVELOPMENT CORPORATION OF THE PHILIPPINES

Thera Factors Building, 335 Burenda Avenue Extension, Makati, Metro Manila, Philippines  
MCC P.O. Box 1952, 26000 D-708 • Cable Address: CDCP MANILA  
TELEX: 22144, 2224507, 2224508, 2224509, 2224510, 2224511, 2224512, 2224513, 2224514, 2224515, 2224516, 2224517, 2224518, 2224519, 2224520, 2224521, 2224522, 2224523, 2224524, 2224525, 2224526, 2224527, 2224528, 2224529, 2224530, 2224531, 2224532, 2224533, 2224534, 2224535, 2224536, 2224537, 2224538, 2224539, 2224540, 2224541, 2224542, 2224543, 2224544, 2224545, 2224546, 2224547, 2224548, 2224549, 2224550, 2224551, 2224552, 2224553, 2224554, 2224555, 2224556, 2224557, 2224558, 2224559, 2224560, 2224561, 2224562, 2224563, 2224564, 2224565, 2224566, 2224567, 2224568, 2224569, 2224570, 2224571, 2224572, 2224573, 2224574, 2224575, 2224576, 2224577, 2224578, 2224579, 2224580, 2224581, 2224582, 2224583, 2224584, 2224585, 2224586, 2224587, 2224588, 2224589, 2224590, 2224591, 2224592, 2224593, 2224594, 2224595, 2224596, 2224597, 2224598, 2224599, 2224600, 2224601, 2224602, 2224603, 2224604, 2224605, 2224606, 2224607, 2224608, 2224609, 2224610, 2224611, 2224612, 2224613, 2224614, 2224615, 2224616, 2224617, 2224618, 2224619, 2224620, 2224621, 2224622, 2224623, 2224624, 2224625, 2224626, 2224627, 2224628, 2224629, 2224630, 2224631, 2224632, 2224633, 2224634, 2224635, 2224636, 2224637, 2224638, 2224639, 2224640, 2224641, 2224642, 2224643, 2224644, 2224645, 2224646, 2224647, 2224648, 2224649, 2224650, 2224651, 2224652, 2224653, 2224654, 2224655, 2224656, 2224657, 2224658, 2224659, 2224660, 2224661, 2224662, 2224663, 2224664, 2224665, 2224666, 2224667, 2224668, 2224669, 2224670, 2224671, 2224672, 2224673, 2224674, 2224675, 2224676, 2224677, 2224678, 2224679, 2224680, 2224681, 2224682, 2224683, 2224684, 2224685, 2224686, 2224687, 2224688, 2224689, 2224690, 2224691, 2224692, 2224693, 2224694, 2224695, 2224696, 2224697, 2224698, 2224699, 2224700, 2224701, 2224702, 2224703, 2224704, 2224705, 2224706, 2224707, 2224708, 2224709, 2224710, 2224711, 2224712, 2224713, 2224714, 2224715, 2224716, 2224717, 2224718, 2224719, 2224720, 2224721, 2224722, 2224723, 2224724, 2224725, 2224726, 2224727, 2224728, 2224729, 2224730, 2224731, 2224732, 2224733, 2224734, 2224735, 2224736, 2224737, 2224738, 2224739, 2224740, 2224741, 2224742, 2224743, 2224744, 2224745, 2224746, 2224747, 2224748, 2224749, 2224750, 2224751, 2224752, 2224753, 2224754, 2224755, 2224756, 2224757, 2224758, 2224759, 2224760, 2224761, 2224762, 2224763, 2224764, 2224765, 2224766, 2224767, 2224768, 2224769, 2224770, 2224771, 2224772, 2224773, 2224774, 2224775, 2224776, 2224777, 2224778, 2224779, 2224780, 2224781, 2224782, 2224783, 2224784, 2224785, 2224786, 2224787, 2224788, 2224789, 2224790, 2224791, 2224792, 2224793, 2224794, 2224795, 2224796, 2224797, 2224798, 2224799, 2224800, 2224801, 2224802, 2224803, 2224804, 2224805, 2224806, 2224807, 2224808, 2224809, 2224810, 2224811, 2224812, 2224813, 2224814, 2224815, 2224816, 2224817, 2224818, 2224819, 2224820, 2224821, 2224822, 2224823, 2224824, 2224825, 2224826, 2224827, 2224828, 2224829, 2224830, 2224831, 2224832, 2224833, 2224834, 2224835, 2224836, 2224837, 2224838, 2224839, 2224840, 2224841, 2224842, 2224843, 2224844, 2224845, 2224846, 2224847, 2224848, 2224849, 2224850, 2224851, 2



# FRENCH COMPANY HANDBOOK 1982

published by International Business Development with the International Herald Tribune

Now in the 1982 up-dated edition, 192 pages of indispensable information in English on a selection of 74 of the most important French companies, as well as basic facts on other major firms. Includes information on the French economy and major sectors of activity, an introduction to the Paris Bourse, and a vital bilingual dictionary of French financial terms.

Each profile includes detailed information on: head office, management, major activities, number of employees, sales breakdown, company background, major known shareholders, principal French subsidiaries and holdings, foreign holdings and activities, key 1976-1980 financial information, important developments and 1981-1982 highlights and trends. Indispensable for corporate, government and banking executives, institutional investors and other decision-makers who should be more fully informed on major French companies.

FRENCH COMPANY HANDBOOK may be purchased at \$38 per copy, including postage in Europe. Five or more copies may be ordered at a 30% reduction. Outside Europe, please add postal charges for each book ordered: Middle East, Africa \$4; Asia, the Americas \$7.

INTERNATIONAL  
**Herald Tribune**  
Published with The New York Times and The Washington Post

## FRENCH COMPANY HANDBOOK 1982

Mail coupon with your check for \$38 (plus postage where applicable) to the order of International Herald Tribune to:  
International Herald Tribune, French Company Handbook  
181 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.

Please send me \_\_\_\_\_ copy(ies) of French Company Handbook.  
Enclosed is payment of \_\_\_\_\_ including postal charges.

### PLEASE PRINT

Name \_\_\_\_\_

Company \_\_\_\_\_

Title \_\_\_\_\_

Address \_\_\_\_\_

City/Country \_\_\_\_\_

AEROSPATIALE - ALSTHOM-ATLANTIQUE-AUXILIAIRE D'ENTREPRISES-AVIONS MARCEL DASSAULT - BREGUET AVIATION - BANQUE NATIONALE DE PARIS - BANQUE DE NEUFILIZ - SCHLUMBERGER, MALLET - BECHIN-SAY - BONGRAIN - BOUYGUES - BSN - GERVAIS DANONE - CAMPENON BERNARD - CARREFOUR - CHARBONNAGES DE FRANCE - CHARGEURS REUNIS - CIT - HONEYWELL BULL - CIT ALCATEL - CLUB MED - TERRANEE - COLAS - COMPAGNIE DE FIVES-LILLE - COMPAGNIE FRANCAISE DES PETROLES - COMPAGNIE GENERALE D'ELECTRICITE - COMPAGNIE GENERALE DES EAUX - COMPAGNIE LA HENIN - COMPTOIRS MODERNE - CREDIT AGRICOLE - CREDIT COMMERCIAL DE FRANCE - CREUSOT-LOIRE - DOLLFUS-MIEG - DUMEZ - ELECTRICITE DE FRANCE - ELF-AQUITAINE - EUROMARCHE - FOUGEROLLE - GENERALE BISCUIT - GRANDS TRAVAUX DE MARSEILLE - GROUPE DES ASSURANCES NATIONALES - GROUPE VICTOIRE - IMETAL - LAFARGE COPPEE - LEGRAND - L'OREAL - LYONNAISE DES EAUX - MAISONS PHOENIX - MATRA - MERLIN GERIN - MICHELIN - MOET-HEINNESSY - PECHINEY-UGINE-KUHLMANN - PERNOD RICARD - PEUGEOT - POCLAIN - POULET - LA REDOUTE - RHONE-POULENC - ROUSSEL-UCIAF - SAINT-GOBAIN - SANOFI - SCHNEIDER - SCREG - SEITA - SKIS ROSSIGNOL - SNECMA - SOCIETE GENERALE - SOCIETE GENERALE D'ENTREPRISES - SOMMER ALLIBERT - SPIE - BATIGNOLLES - TELEMECANIQUE - THOMSON-BRANDT - THOMSON-CSF - UNION DES ASSURANCES DE PARIS - USINOR - VALEO - VALLOUREC



# Oil and Money in the Eighties

AN INTERNATIONAL HERALD TRIBUNE/OIL DAILY CONFERENCE  
INTERCONTINENTAL HOTEL, LONDON, SEPTEMBER 20 & 21, 1982

Sheikh Ali Khalifa al-Sabah, Minister of Oil and former Finance Minister of Kuwait, will be the keynote speaker at the third annual International Herald Tribune/Oil Daily conference on "Oil and Money in the Eighties."  
Senator James McCure, Chairman of the U.S. Senate Energy Committee and one of the main formulators of U.S. energy policy, will

open the second day of the conference, and U.S. Secretary of the Treasury Donald T. Regan will answer questions via live telephone hook-up following a special video address to the conference from Washington, D.C.  
Senior executives in energy, finance and related fields wishing to register for this conference may return the coupon below.

## ENERGY IN AN UNCERTAIN ECONOMY

### SEPTEMBER 20

#### KEYNOTE ADDRESS

Sheikh Ali Khalifa al-Sabah, Minister of Oil, Kuwait.

#### THE SUPPLY AND DEMAND OUTLOOK FOR OIL

Theodore Eck, Chief Economist, Standard Oil Company (Indiana).  
Helen Hughes, Director of Economic Analysis and Projections, The World Bank.  
Ian Seymour, Executive Editor, Middle East Economic Survey.  
Moderator: Herman Franssen, Chief Economist, International Energy Agency.

#### WHERE OIL AND GAS WILL BE FOUND IN THE '80's

Hans Grunau, Senior Exploration Consultant, Petroconsultants.

#### NEW POWER RELATIONS IN THE GULF

James Adams, former U.S. Ambassador to Saudi Arabia.

#### THE IMPACT OF DOWNSTREAM ARAB INVESTMENT

Donald O'Hara, former Pres., Nat. Petroleum Refiners' Ass.  
Abdullah Taher, Governor, Petromin.

#### SPECIAL ADDRESS

Donald Regan, U.S. Secretary of the Treasury, via satellite.

### SEPTEMBER 21

#### U.S. ENERGY POLICY

James McCure, Chairman, U.S. Senate Energy Committee.

#### PROBLEMS OF ENERGY FINANCING

THE INVESTMENT OUTLOOK FOR NORTH SEA ENERGY  
Hamish Gray MP, U.K. Minister of State for Energy  
MOBILIZING INTERNATIONAL FUNDS FOR ENERGY PROJECTS  
Ian Logie, President and Chief Executive, Int. Energy Bank  
INVESTMENT DECISIONS IN AN ERA OF DECLINING OIL PRICES  
Harold Hammer, Executive Vice President, Gulf Oil Corp.  
THE EVOLUTION AND IMPACT OF INTERNATIONAL OIL TAXATION  
Robert Weaver, Vice President, Global Petroleum Division, Chase Manhattan Bank.

#### THE LONG TERM GAS OUTLOOK

John Lightblau, Exec. Dir., Petroleum Industry Research Foundation.  
John Meeder, Manager Corporate Planning, Nederlandse Gasunie.

#### HOW TO MAKE MONEY IN A SOFT ENERGY MARKET

THE OIL FUTURES MARKET: John Treat, President, New York Mercantile Exchange.  
SPOT TRADING: Erwin Spuller, Managing Director, Fretail.

### CONFERENCE REGISTRATION

Please enroll the following participant for the IHT/Oil Daily Conference, September 20 and 21, 1982. 9-8-82

Surname \_\_\_\_\_

First Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City/Country \_\_\_\_\_

Telephone \_\_\_\_\_

Telex \_\_\_\_\_

Fees are payable in advance of the conference. Each participant \$435 or the equivalent. This includes all refreshments, lunches, and post-conference documentation. Fees will be returned in full for any cancellation that is postmarked on or before September 3, 1982.

☐ Please invoice ☐ Check enclosed

#### RETURN TO:

The International Herald Tribune Energy Conference,  
181 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.  
Telephone: 747 12 65. Telex: 612832.

### HOTEL RESERVATION

Please reserve for the nights of September 19 and 20 the accommodations checked below:

☐ single occupancy (\$62 per night excluding V.A.T.)  
☐ double occupancy (\$70 per night excluding V.A.T.)

Reservations must be received no later than September 6, and accompanied by a check for the first night.

Or please charge my American Express Card account:

Card expiry date: \_\_\_\_\_ Signature: \_\_\_\_\_

Surname \_\_\_\_\_

First Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City/Country \_\_\_\_\_

Telephone \_\_\_\_\_

Telex \_\_\_\_\_

#### RETURN TO:

Intercontinental Hotel, Reservation Department  
1 Hamilton Place, London W1V 0IC, England.  
Telephone: (01) 409 3131. Telex: 25853. Reference: Energy Conference.

# TWO TRIBS FOR THE PRICE OF ONE



Please circle below the time period and reduced subscription price selected.

| COUNTRY   | 1 year       | 6 months | 3 months |
|---|--------------|----------|----------|
| Austria   | A.Sch. 3,050 | 1,525    | 840      |
| Belgium   | B.Fr. 6,000  | 3,000    | 1,650    |
| Denmark   | D.Kr. 1,280  | 640      | 350      |
| Finland   | F.M. 990     | 495      | 270      |
| France  | F.Fr. 800    | 400      | 220      |
| Germany   | D.M. 360     | 180      | 100      |
| Great Britain   | £            | 31       | 18       |
| Greece  | Dr. 8,000    | 4,000    | 2,250    |
| Ireland   | Ir.L. 90     | 45       | 25       |
| Italy   | Lire 165,000 | 82,500   | 45,500   |
| Luxembourg  | L.Fr. 6,000  | 3,000    | 1,650    |
| Netherlands   | Fl. 406      | 203      | 112      |
| Norway  | N.Kr. 1,120  | 560      | 308      |
| Portugal  | Esc. 8,660   | 4,330    | 2,400    |
| Spain   | Ptas. 14,200 | 7,100    | 3,900    |
| Sweden  | S.Kr. 990    | 495      | 270      |
| Switzerland   | S.Fr. 320    | 160      | 90       |
| Rest of Europe, North Africa and former French Africa, U.S.A., S. | 256          | 128      | 71       |
| French Polynesia, Middle East, S.                                 | 264          | 132      | 72       |
| Rest of Africa, Canada, Latin America, Gulf States and Asia, S.   | 352          | 176      | 98       |

To: Subscription Manager, International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France. Telephone: 747.12.65. Telex: 612832.

☐ Yes, I would like to accept your bargain offer. Please send me the International Herald Tribune for the time period and at the reduced price circled on this coupon.

My name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Job/Profession \_\_\_\_\_

Nationality \_\_\_\_\_

Company activity \_\_\_\_\_

9-8-82

IMPORTANT: Payment must be enclosed with this form to validate your subscription. Please make checks payable to the International Herald Tribune. Do not send cash. Pro-forma invoices are available upon request.

If you purchased this Trib at a newsstand, you're already enjoying a rare bargain—the whole world in just a few tightly written, fact-packed pages. You're reading a product created by scores of journalists working day and night from dozens of distant datelines to bring you a compact compilation which can be purchased for the price of a cup of coffee.

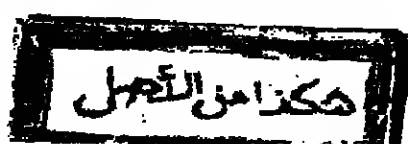
But why not double the bargain? Enjoy twice as many newspapers with double the headlines, business trends, candid commentary, high fashion and comic strip hi-jinks, exciting sports and puzzling crosswords?

By subscribing to the International Herald Tribune for six months or a year, you receive each copy at almost half the newsstand price. Up to 46% off, to be precise, depending on where you live. Twice as many Tribs for your money.

Subscribe now and we'll speed bargain-price Tribs to you from our various simultaneous distribution points in Paris, London, Zurich and Hong Kong and, beginning in October, Singapore.

Join the global who's who of thought-leader readers who turn to each morning's Trib for the latest in objectively reported world news, briskly written opinion, the day's closing business tabulations, buy-and-sell reports from the international marketplace, at-the-stadium recaps of just-completed matches, what's happening in the world of culture—and all in an international perspective.

Double the value of the Trib by halving its price. Subscribe now so you don't miss a single issue. Just fill out the coupon opposite and mail. For maximum savings, subscribe for a full year. This cut-price subscription offer is for new subscribers only.

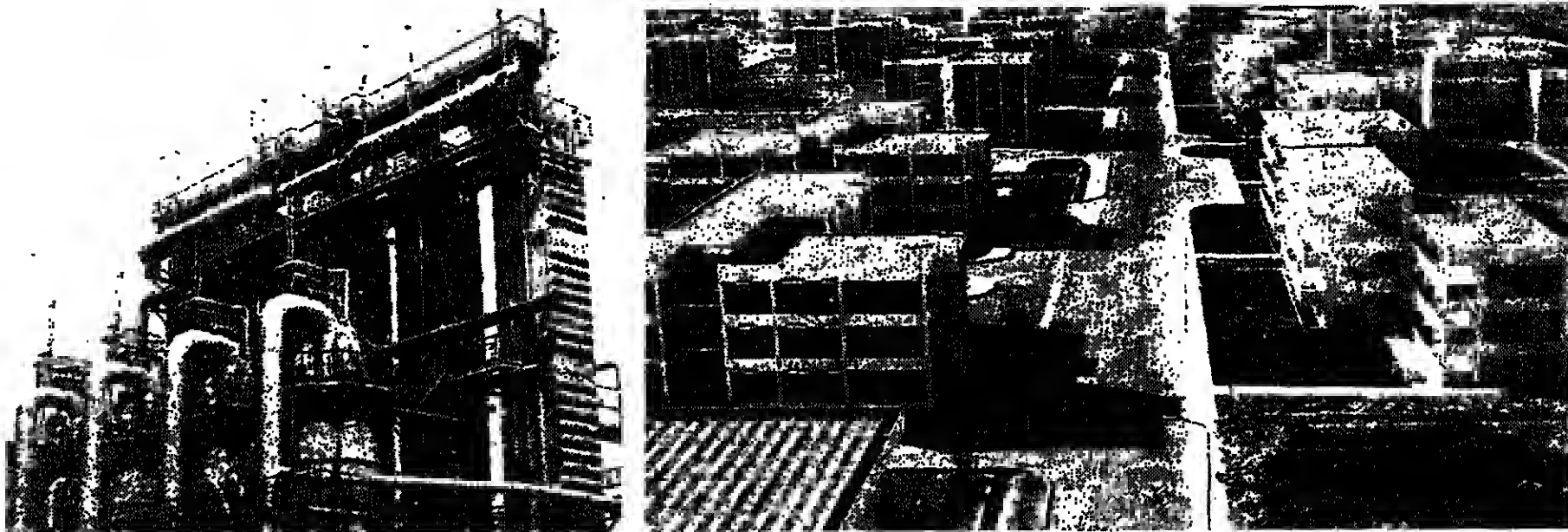
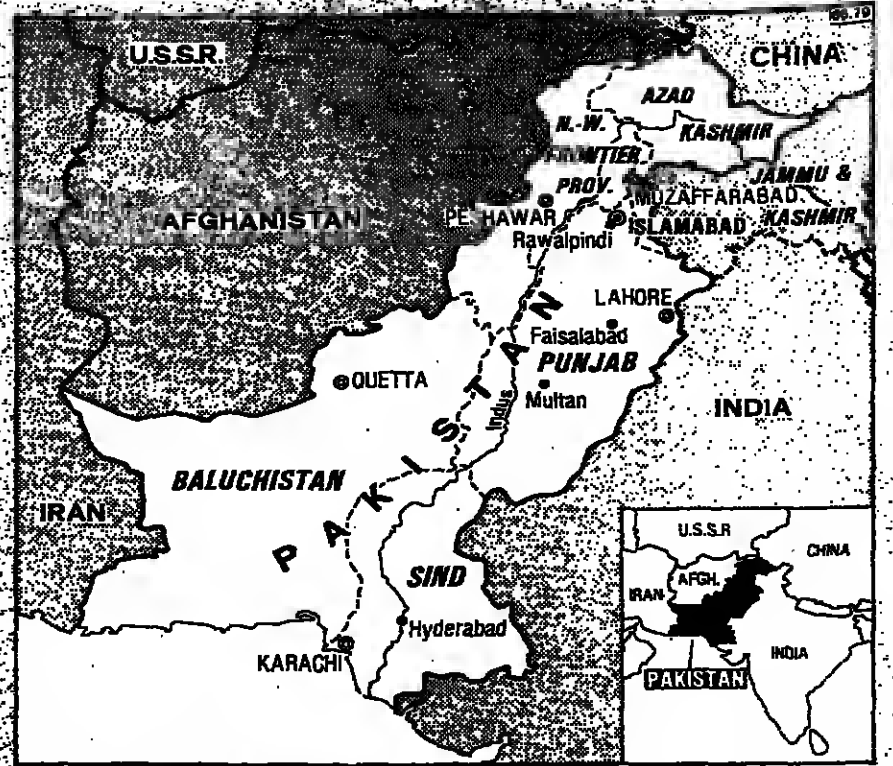




# PAKISTAN

## AN ECONOMIC PROFILE

**Herald Tribune**  
INTERNATIONAL  
Published With The New York Times and The Washington Post  
AUGUST, 1982



THE STEEL MILL: At left, gas coolers of coke oven. Right, modern housing for steel mill workers.

## Private Sector Is Challenged To Assume Investment Role

By Pearl Marshall

**ISLAMABAD** — The Pakistan government has declared a moratorium on further industrial investment by the public sector and is now inviting private companies to step in and take up the challenge. It has almost finished all the large industrial projects that it inherited from the previous regime, including the major, Soviet-assisted 1.1-million-ton steel plant near Karachi.

The question now is how long the country can afford to wait for the private sector's response. There are many factors that could cause the private sector to be reluctant, not the least being a fear that the military regime of President Mohammad Zia ul-Haq might suddenly be replaced by yet another period of Bhutto-type nationalization.

The government's withdrawal from industrial investment is not considered enough of a move in itself to stimulate private sector interest.

If the private sector does not take up the burden, industrial growth will soon start to suffer. Much of its 12-percent growth last year was due not so much to improved efficiency as to the addition of new capacity. If little investment is made in further capacity, stagnation will set in and the government will be forced to act.

### Negative Factors

Factors weighing against large-scale private investment include a lack of adequate financial resources (both foreign exchange and local currency); cumbersome and time-consuming government regulations; labor laws and practices that allow excessive job protection for workers; poor infrastructural facilities such as water, gas, electricity, roads and telephones; pricing distortions that discourage efficiency; and a

Area: 310,403 square miles.  
Population: 82.44 million.  
Gross national product (1980/1981): U.S. \$30.6 billion.  
Inflation rate (December, 1981): 12.5 percent.  
Exchange rate (June, 1982): 1 U.S. dollar = 12.18 Pakistani rupees.  
Foreign exchange reserves (February, 1982): U.S. \$675 million.  
Exports (1981): U.S. \$2,830 billion.  
Imports (1981): U.S. \$5,412 billion.

system of industrial incentives aimed at import substitution.

However, the private sector is flourishing on the small scale because its activities are small enough to slip underneath many of the government's regulations.

Private sector caution toward the invitation to take over investments in such fields as chemicals, fertilizers, petroleum, cement and engineering is understandable. These were some of the areas nationalized in the early 1970s by Zulfikar Ali Bhutto, whose appetite for Socialism — or quest for "absolute power," as some Pakistani businessmen prefer to describe it — led him eventually to gobble up just about everything on the banking and industrial front including the thousands of rice husking and cotton ginning mills throughout the country. These small industries were immediately de-nationalized when Gen. Zia came to power.

Although nationalization was bad enough in itself, (Continued on Page 135)

## Agriculture: 33% of Budget Marked for Investment Effort

By Kim Gordon-Bates

**ISLAMABAD** — Serious efforts have been made during the last years to uplift Pakistan's agricultural sector. In the upcoming year, 1982-1983, that effort will be continued.

In addition to the heavy influx of international agencies' aid in one form or another, the federal government has earmarked the single most important budget provision (33 percent) for investment in agricultural improvement.

Pakistan's leaders and planners are aware that, to be able to assure the break from import dependency soon, crucial progress must be made in production outputs. It has become a truism to say that agriculture is the foremost factor

of the national economy. It makes up 30.1 percent of the gross domestic product (national production minus inputs from outside) and is responsible for 36 percent of export earnings.

### Deficient Sector

Agriculture provides a living for approximately three-fourths of the population of 84 million and engages 55 percent of the available labor force.

Although agriculture is able to provide the nation with all its raw material requirements for domestic industry and most of its internal consumption needs — in addition to

substantial export surpluses in some fields — yields per acre remain some of the lowest in the world.

Forestry is an irretrievably deficient sector of agricultural production. The situation was made worse by the unwelcome arrival of 3 million extra head of cattle from Afghanistan and by the dire shortage of firewood. Wood provides Pakistan with 33 percent of its general energy requirements and timber imports tax the national economy, by about \$68 million in 1980-1981.

Otherwise, in more traditional crops, the results last year were slightly disappointing. Value added only increased by (Continued on Page 95)

## Textiles: Remedial Measures Bear Fruit

**KARACHI** — Textiles have always been the mainstay of Pakistan's manufacturing industry. Yet, ever since the country's "golden age of spinning and weaving" in the 1950s and 1960s, the textile sector has been living a persistent crisis.

The nature and complexity of the crisis have not always been the same, but a succession of unfavorable international market conditions, weather mishaps and disastrous industrial policies, due much to shatter Pakistan's previously excellent record in the business.

The first crisis, which could have been most serious, was actually easily resolved. In 1971, the secession of what had been East Pakistan and the creation of Bangladesh deprived West Pakistan of a \$140-million-a-year export market. Pakistan reacted quickly to the loss and was able to find new and lucrative export outlets for its textile production, something that was certainly enhanced by the sudden 1972-1973 worldwide boom in demand.

To respond to the potential market, Pakistani industrialists went for massive investments and machine-improvement projects. Unfortunately, by the time these projects had materialized, the boom was over and had made way for an equally worldwide recession.

The slump lasted and exports dwindled. Even by the time things were beginning to clear up and the world again was clamoring for cloth and yarn, Pakistan's textile industry was incapable of meeting the recovered opportunities. Industrialists blamed the Bhutto administration for both its heavy-handed insistence that sick units should remain operative and at the same time accept what the industrialists considered to be suicidal wage increases and general labor costs for a decreasingly productive work force.

The basic unpopularity of the Bhutto government among the capitalists of Pakistani industry deterred further investments and modernization. Ultimately, spinning and ginning units contracted huge liabilities. Many closed or were nationalized; lucky ones were just about to hobble along until the military coup in 1977.

It is worthwhile pointing out that, while it is true the Bhutto government through inconsistent and short-term policies had direct responsibility in the worsening of the crisis, sole blame cannot be placed on the 1972-1977 adminis-

## Nuclear Power: Approval Linked With Peace Pledge

**RAWALPINDI** — Pakistan will seek bidders for the construction of its planned \$1.7-billion Chashma nuclear reactor in the Punjab sometime in the next six months in hopes that at least one Western country will risk international censure and assist it with its program for nuclear electricity.

The decision to push ahead with the project comes after repeated official and unofficial protests by Western countries about clandestine purchases by Pakistan of sensitive equipment that could be used to make nuclear bombs.

Pakistan says the 900-megawatt Chashma plant is essential, along with the rest of its nuclear program, because of a critical energy need and lack of significant oil resources. The country produces only 12 percent of its oil requirements, and its imports of crude oil and petroleum products amount to a crippling \$1.7 billion annually, representing more than 60 percent of foreign-exchange earnings.

Although its gas reserves have been Pakistan's salvation in the past, and now contribute 42 percent of the country's total annual energy requirements, there are fears that at the present rate they could be exhausted in 20 years unless new discoveries are made.

### Closing the Gap

A concentrated effort to develop both nuclear power and hydroelectric resources to meet the projected 8,500-megawatt power gap by the turn of the century is therefore seen as vital.

The Chashma reactor, which could be operating by the end of the decade, is to be followed by two more 900-megawatt units, scheduled for operation in 1994 and 1997, under a plan drawn up by the Water and Power Development Authority.

"Pakistan is determined to acquire nuclear technology, but nuclear technology for peaceful purposes," President Mohammed Zia ul-Haq said in a recent interview. He noted that the Chashma plant, 175 miles (280 kilometers) southwest of Islamabad, would be subject to stringent international safeguards.

He insisted that countries such as Pakistan had the right to the latest in peaceful nuclear technology.

"If the advanced countries are a bit stingy then we will acquire it ourselves... even if we have to beg, borrow or steal," Gen. Zia said. "And stealing is something we have already been labeled with."

Press reports have charged that Pakistan has made surreptitious purchases of enrichment and reprocessing equipment from countries including the United States, Britain, the Netherlands, Switzerland and West Germany in order to avoid international safeguards.

Acknowledging that what he called "the bomb business" had arisen mainly because of talk of secret uranium enrichment activities at Kahuta, near Rawalpindi, Gen. Zia said it was no secret the country was enriching uranium.

"It's a very modest program," he said, adding that it would use uranium from Pakistan's own mines for future Chashma power reactors so the country would not be dependent on outside sources for enriched uranium fuel supplies.

### Conflicting Evidence

Western and Indian sources challenge this explanation, arguing that enrichment technology is too expensive to be undertaken solely for a limited nuclear power program. They also point to a considerable amount of evidence that they say documents a serious Pakistani effort to build a nuclear weapon. India's explosion of a nuclear device in 1974 was said to have been the impetus for Pakistan's attempt to build a bomb of its own.

Particularly significant, says Krishnaswami Subrahmanyam, director of India's Institute for Defense Studies and Analyses in New Delhi, is that the uranium enrichment project under the leadership of Abdul Qader Khan is separate from the activities of the Pakistan Atomic Energy Commission. "It is a special project under the Pakistan Ministry of Defense and is modeled somewhat on the wartime American atomic bomb development project," he adds.

Despite these arguments, there is some indication that Pakistan might get a bidder for the Chashma reactor.

"I could make a good case to my government based on their [Pakistan's] current energy difficulties," said one senior Western diplomat stationed in Islamabad. "One way to dissuade them from the bomb would be to help them with their peaceful nuclear program."

While the United States requires acquiescence to safeguards

## Exports: Radical Shift in Direction

**KARACHI** — The thrill of World Cup soccer reached the people of Sialkot, a hot, dusty town in Pakistan's western Punjab province. Pakistani craftsmen there had been asked to make all the balls needed for the tournament.

Earlier this year, the sporting goods giant Adidas had contracted two Sialkot-based firms to assemble 25,000 soccer balls a month, using local leather.

While those deals gave a much-needed boost to local industry, soccer balls are not exactly typical of Pakistani trading. Like many developing nations, Pakistan derives most of its foreign exchange from sales of primary commodities to developed countries.

Raw products accounted for 65 percent of total exports in the 1960s. Through a consistent effort in export policy, the share of non-manufactured goods in total exports fell to 43.8 percent in 1980-81.

### Good Results

Export results have been generally good since 1976-77. That year, exports brought in \$1.13 billion; slowly, despite the problems affecting the agricultural sector, export receipts grew to a record \$2.9 billion in 1980-1981.

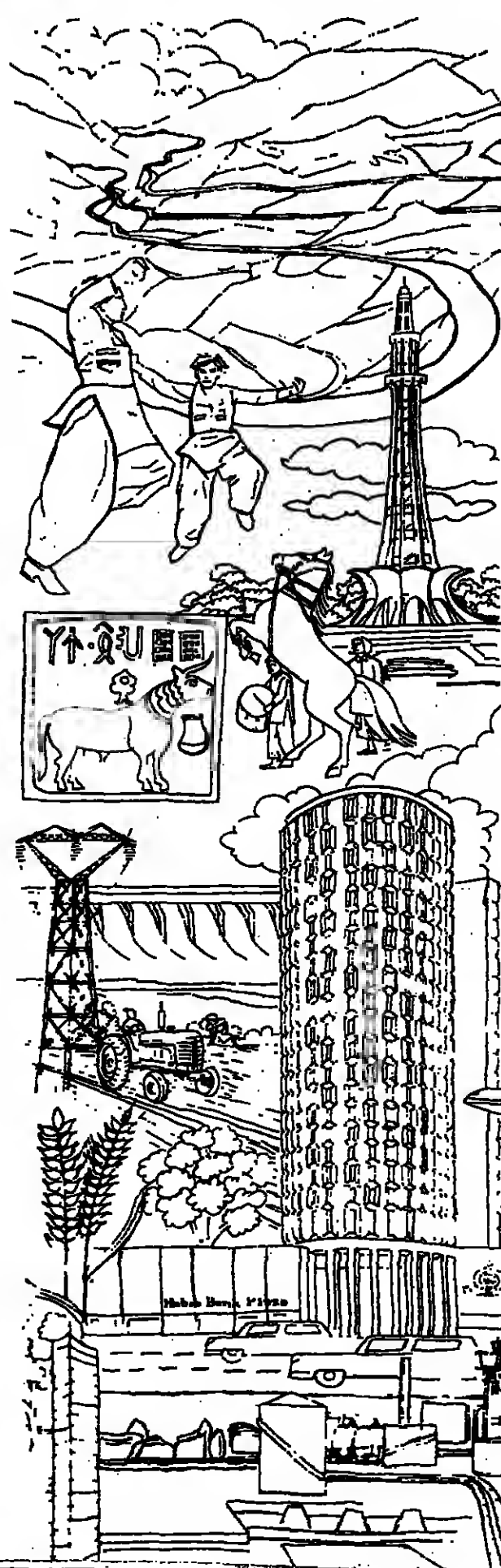
Basmati rice was the single most profitable export: Its sales produced \$565.8 million, with 64 percent of rice shipments going to China.

Sugar-cane crops have been consistently good, and after having to pay \$98 million to import sugar for the last three years, Pakistan hopes to be in a position to export some this year.

The major achievement, though, has been Pakistan's ability to attain self-sufficiency in wheat: Wheat imports cost the nation \$64.3 million in 1980-1981 and \$106.1 million the year before.

But the unpredictability of world commodity markets has clouded the export picture. Orders for raw cotton last season fell 73.6 percent, and prices were 30 percent lower than the previous season. Meanwhile, this year's crop is expected to be the best ever at 4.4 million bales, 4.7 percent better than last year. Rice exports have dropped by 21.1 percent for the same period.

The export slump reflects improvements worldwide in rice and cotton crops and the effects of recession on textile manufacturing.



... has a culture and history of its own, is a happy blend of modern trends and old traditions. This developing country offers a wide range of attractive investment opportunities.

**Habib Bank** — the oldest and largest bank of Pakistan, in the 41st year of its growth, also has a history of its own and has played a leading part in the development of the country. Habib Bank's 1845 branches in Pakistan 74 overseas branches — representative offices at Jakarta, Cairo and Tehran — affiliate Perwira Habib Bank in Malaysia — subsidiary Habib Finance International Limited in Hong Kong — 1600 foreign correspondents — over 6.6 million account-holders and computer installations, are at your service for trade information or banking service of any description.

|                                       |                         |
|---------------------------------------|-------------------------|
| <b>AUTHORISED CAPITAL</b>             | <b>Rs. 1000 MILLION</b> |
| <b>PAID-UP CAPITAL &amp; RESERVES</b> | <b>Rs. 1039 MILLION</b> |
| <b>DEPOSITS AS ON DEC. 31, 1981</b>   | <b>Rs. 31 BILLION</b>   |

**Habib Bank Limited**  
Head Office: Habib Bank Plaza, Karachi-21, Pakistan.

مکان من العمل



# '79 Port Renewal Began Revitalization of Road, Rail and Shipping Systems

KARACHI — The unclogging of Karachi's port in 1979 in an "Operation Survival" to smooth the way for massive wheat imports when Pakistan's crop failed was the start of a managerial reorganization of the country's road, rail and port systems that is continuing today.

Now ships can berth in Karachi on the day of their arrival rather than wait 40 or 50 days, and cargo can be on the road almost immediately. Hoarding and black-marketing of goods due to distribution bottlenecks are a thing of the past.

But although the road transport system and the Karachi port are operating much more efficiently, Pakistan still has to upgrade the quality of its roads, introducing major new highways to backward areas. It must also make considerable investments in new airport facilities and railroads.

Renovating the railroad system is seen as particularly urgent.

"It's been in a mess for the past 20 years," said Railways Minister Lt. Gen. Saad Qadir. "The track is old, wagons and engines are worn out and the people are demoralized." He was made railways minister last year in the hope that he would bring the same efficiency to the rail system as he did to solving the transport crisis in 1978 and 1979.

Gen. Qadir is the man generally credited for the crash reorganization of transport when the crops failed. Using skills acquired as quartermaster-general for the army, he requisitioned the country's pickup trucks and vans, boosted domestic truck assembly and purchased hundreds of Mercedes trucks from West Germany to help clear the 30,000 tons of daily cargo from the port of Karachi, as well as a massive backlog that had accumulated over the years.

The Mercedes trucks still operate under a command system run by Gen. Qadir known as the National Logistics Cell. This was originally created for one year to cope with the wheat crisis but has since become permanent, handling any task involving the shipment of commodities, as well as road construction and repairs and rehabilitation of grain storage facilities.

The first 500 West German 10-ton trucks, with 10-ton trailers, have been increased to a fleet of 1,260 similar-size trucks and 125 tankers. They are backed by a maintenance workshop near the Karachi port and another in the north at Gujranwala on the main national highway, 40 miles (65 kilometers) from Lahore.

Pakistan's development of its other transport facilities includes:

• AIRPORTS — Although the Pakistan International Airlines fleet has expanded rapidly during the last 20 years, the ground facilities have

not kept pace. The congestion is so acute that the government is creating a Civil Aviation Authority — an autonomous body along the lines of the London Airport Authority — to raise funds on a commercial basis and push through long-awaited development projects that the government could not afford to finance.

Nurul Hanafi, director-general of the Department of Civil Aviation, estimated that it would cost 6.5 billion rupees to catch up with the necessary construction work over the next six years, including 753 million rupees for a third terminal at Karachi catering to international traffic, 125 million for a terminal at Lahore, 1.5 billion for a new airport at Islamabad, 70 million for a new runway at Lahore and 70 million for a parallel runway at Karachi.

Other, smaller projects call for extending the terminal buildings at Multan and Faisalabad for 50 million rupees; rebuilding the Faisalabad runways to take wide-body jets, which will cost 90 million; developing Nawabshah, 100 miles northeast of Karachi airport, as an emergency landing alternative; and strengthening and lengthening runways to take the new twin-engine planes PIA plans to buy, which should cost 50 million and 240 million rupees, respectively. These runways are at Sukkur, Moenjodaro and Hyderabad in Sind province, Turbat and Pasni in Baluchistan, Dera Ismail Khan in the North-West Frontier province, and Gilgit and Skardu in the north.

Mr. Hanafi said that the third terminal at Karachi was more urgent than the new Islamabad airport and that, if financing proved difficult, the main construction in the capital would be delayed until the seventh five-year plan, starting in 1988-1989. The sixth plan covers only land acquisition and basic infrastructure, which would limit present costs for Islamabad to 150 million rupees.

Mr. Hanafi has had two foreign offers to finance the Karachi terminal. With formation of the autonomous aviation authority, this type of assistance could be readily accepted. Karachi is the most congested of Pakistan's 25 airports of various sizes, taking 60 percent of the domestic traffic and 90 percent of the international.

Belt-tightening measures and heavy trimming of one of the largest airline staffs in the world have helped PIA bounce back into a healthier position in the 1981-1982 fiscal year, showing a profit of \$22 million, against \$7 million in the two previous years.

Projecting a profit of \$38 million this year, PIA's chairman, retired Maj. Gen. Rahim Khan, said that the company hoped to continue boosting profits until it could modernize its fleet from its own resources.



Apprentices from several Moslem countries at work at a Pakistan International Airways shop.

• PORTS — The 5.5-billion-rupee Port Qasim, 25 miles (40 kilometers) east of Karachi along the desert coastline, is slowly becoming operational.

Apart from a special bulk-handling terminal that receives iron ore and coal imports for the neighboring Soviet-assisted steelmill, which has been operating since September, 1980, the port will have seven berths for handling bulk cargo. Much of this cargo will be public sector imports of cement and exports of agricultural products such as cotton and rice, with possible wheat and fertilizer exports coming later. Two berths are completed and have been used to export pig iron and coke from the steelmill. The other five are to be ready by early next year.

The government will have to decide soon whether to add an urgently needed container terminal at Port Qasim or opt for one at Karachi. A feasibility study by the Japan International Cooperation Agency appears to favor Karachi, where costs would be lower.

A master plan for development at Karachi port, which has 30 shipping berths, foresees an additional 100.

The Japanese feasibility study of the container-handling complex covers the first six berths of these 100. The study estimated costs at \$100 million. The project would eventually be put out to international tender, according to Afshar Alam, general manager of planning and development for the Karachi Port Trust.

Feasibility studies for the second, third and fourth stages of the master plan have also been completed and their development is expected to take 20 years. They would all be container terminals, with construction costs allowing for inflation — as high as the first.

Pakistan also plans new fishing ports at Ibrahim Hyderi, between Karachi and Qasim, and at Pasni in Baluchistan. They would help boost sales of dried fish to Pakistan's traditional overseas markets, which include Sri Lanka and Japan. Construction contracts for the fishing ports are still to be awarded by the Sind and Baluchistan provincial governments.

A third site for such a fishing port, at Gwadar, 40 miles from the Iranian border, has been the subject of a feasibility study by the Japanese agency. Completed last year, the study finds the project to be viable

and estimates development costs at 360 million rupees, with a foreign exchange component of 290 million rupees.

The Japanese backed out of developing Gwadar because of possible military applications. Pakistan is looking for other external assistance to develop the harbor.

The Pakistan National Shipping Corp. recently acquired 13 new medium-size cargo ships of 14,000 to 18,000 tons from Denmark, Britain, Japan and Poland. Further purchases will probably be container ships, said the corporation's chairman, Rear Adm. A.W. Bhambhani.

A 14th cargo ship, of 17,000 tons, is under construction at Karachi Shipyard and Engineering Works, which has built 162 ships, tugs and other vessels, five of them oceangoing vessels of 13,500 tons. The latest cargo ship is being built with materials supplied by Japan under year credit.

• ROADS — Although the Indus right bank road, which would have offered an alternative route from Peshawar to Karachi, has been shelved for the time being because of financial constraints (some sources hint that the delay was encouraged by the United States because of the danger of opening up a major pathway for the Russians in Afghanistan to reach the Arabian Sea), plans are under way to turn the existing national highway from Peshawar to Karachi into a dual carriageway. Some private sector agencies in Pakistan and abroad, particularly in the United Arab Emirates, have offered to take up certain sections of this project, according to F.K. Bhandal of the Ministry of Communications.

Emphasis is being put on developing farm-to-market roads to open up the more remote areas of the country. Such construction will be the responsibility of the provincial authorities, but the federal government will provide funds to stimulate activity.

• RAIL — Pakistan is setting up a \$100-million locomotive assembly plant, with Japanese help, near Kasolpur in the North-West Frontier province, with 30 percent to 40 percent of the financing covered by year credits. Plant construction should start early next year. Capacity will be about 25 locomotives a year. Pakistan Railways has about 1,100 locomotives, half of which are steam engines and many of which are more than 20 years old.

## IN PAKISTAN THE MOST DEMANDING TRAVELLERS STAY WITH US

### Karachi

The 300 room Hotel Inter-Continental Karachi is the city's most conveniently located, within walking distance of Government offices and the Commercial Centre.

### Lahore

The city's finest Hotel with superb dining facilities and business services.

### Peshawar

Close to the Business Centre and adjacent to the city's Golf Course, Hotel Khyber Inter-Continental is an ideal venue for meetings and conventions.

### Rawalpindi

Close to the airport and in a convenient city centre location.

## INTER-CONTINENTAL HOTELS

More than 80 great Hotels around the world

For reservations contact your travel agent or the nearest Inter-Continental Hotel.

## Exports: A Radical Shift in Trade Direction

(Continued from Page 75)

income. Overall, exports have decreased by 17.9 percent.

The Zia administration has taken several steps to increase foreign exchange earnings through exports. Although the measures are not new in themselves, foreign economists say the government appears to be approaching the problem more seriously than in the past.

Until now, 37 percent of total exports came from two public-sector agencies, the Rice Export Corp. and the Cotton Export Corp. Although there are no provisions to denationalize the two corporations, the government intends to promote private enterprise as part of a policy destined to increase value-added tax and to move from a reliance on the capricious world markets in commodities toward diversified exports.

Pakistan now exports 100 items, up from 35 a few years ago. Measures to boost private enterprise include the lifting of duty on some imported machinery, a rule change allowing companies to

retain a greater percentage of foreign export earnings, new compensation rebates varying from 7 to 12 percent of FOB value, and a range of new export credit facilities (primarily, loans at 2- to 3-percent interest).

Pakistani manufacturing once enjoyed a degree of international renown. Since the days of the British, Sialkot has produced surgical instruments popular with British surgeons. The carpet and rug industry leads the list of manufactured export goods, with 1980-81 earnings of \$226.6 million. Even bagpipes are made here.

But industrial planners say Pakistan's manufacturing sector is operating at somewhere between only 25 and 55 percent of capacity.

The present downturn in exports has brought bitterness against the West. European protectionist policies are being viewed as the principal culprit.

"Through a mechanism of non-tariff barriers, they [the West] are continuing to devise more and more spokes and hurdles against the flow of trade from the develop-

ing countries," said Mohammed Youcef, vice chairman of the Export Promotion Bureau.

Javed Burki, vice secretary at the Ministry of Commerce, put it more bluntly: "Whenever we develop a commodity which competes with the West, the West resorts to slamming restrictions on us."

The sore point is textiles. Textile exports are one of the few commodities with a favorable export record in the latest fiscal year (receipts of \$241.4 million for a 22.3-percent increase). Pakistan is unhappy with the terms of the latest Multi-Fiber Arrangement, an international accord that sets limits on exports from the producing nations to the Western consuming nations.

But Mr. Javed Burki said he believes that "The balance is more equal with our Far Eastern trade partners." Certainly, the last five years have brought a radical shift in trade directions.

In 1976-77, Western Europe ranked second in both exports and imports (28.7 percent of exports

and 26.9 percent of imports); last year, Europe had fallen to third position (18.7 percent of exports and 22.5 percent of imports).

Along with its products, Pakistan is seeking to diversify its trading partners; the top client now is China, which takes 12 percent of Pakistan's exports. Markets also have developed in both the Middle East and the Far East. Pakistan now has trade with 162 countries.

Fish exports, up by 18.3 percent from last year, have won substantial markets in Japan (55 percent of the total catch, all shrimp), Sri Lanka (salted fish), and the Middle East (fresh fish). Fish exports earned Pakistan \$56.5 million in 1980-81, and the figure is expected to reach \$73 million for the coming year.

If commodities fluctuations and moves toward protectionism make the export record seem uncertain, Pakistan's balance of payments figures are improving nevertheless. Last year's export total rose to 54.7 percent of the import total, up from 50 percent the year before.

— K. G. B.

## ABL-A Bankful of Services

Allied Bank with its four decades of experience and a wide range of correspondents all over the world is capable to handle all banking operations inland and abroad.

Allied Bank ensures speedy disbursement of remittances through its network of 701 branches.



**Allied Bank of Pakistan Limited**  
— for a bankful of services

## We manufacture the finest quality cotton yarn



**M.F.M.Y. Industries Limited**

22-23 MARRIOTT ROAD, KARACHI-2 (PAKISTAN)  
Phones Office: 230903-239344-Mills: 294148-294167  
TLX: 24114 M.F.M.Y. PK

ہکذا من القبول



# PAKISTAN

## Banking: The Islamic Factor Becomes An Official Ingredient of System

KARACHI — In 1979, following a presidential directive, Pakistan's nationalized banking system put religion into its savings books. As part of the gradual Islamization of Pakistani society, the newly created Council of Islamic Ideology began a program aimed at ending unfair loan practices.

Other changes made at the same time, such as the institution of interest-free loans to farmers and to needy students, were described by President Mohammed Zia ul-Haq as moves to remove inequality among Muslims.

Usury has always been seen as ungodly in the Islam world.

Abdus Jabbar Khan, the president of one of Pakistan's largest commercial banks, the Habib Bank, noted that usury was despised by Aristotle and was hotly debated among 16th-, 17th- and

18th-century philosophers in Europe. So high-interest loans were a natural target in the Islamization campaign.

The new banking system is called *musharaka*, or interest-free banking, although it is not strictly interest-free.

Islam has always encouraged trade based on "fair and honest proceedings" and has recognized the right to profits earned in that way.

As a first move, the term "interest-free" was redefined as "profit- and loss-sharing."

Under the new system, both parties to a transaction agree formally on an acceptable division of future profits and, in the case of a loss, agree to bear the setback equally.

First to conform to the new practices were institutions such as the National Investment Trust, the

(Continued on Page 105)

## RURAL DEVELOPMENT

*'Electricity has become important not just in the fight against illiteracy and for social welfare, but also to provide a cheaper alternative to the diesel irrigation pumps that have become so costly to run because of high oil prices.'*

ISLAMABAD — Within the next five years, Pakistan's development planners hope to change radically the face of the country's rural landscape.

In recent years, it had become increasingly apparent that barriers between town and country, rather than breaking down, were becoming more pronounced. The vast hinterlands were gradually drifting away.

In this respect, the minister for local government and rural development, Syed Fakhar Imam, is unhesitatingly critical of past policies. He said rural development had been "utterly neglected by all previous administrations," but added, "There has been a radical change of policy." He takes pride in the fact that he himself has a rural background.

### Past Efforts

There were, in fact, a number of efforts in the past to modernize the rural sector and improve life there through various welfare programs. They had noble-sounding names such as the Village Aid Program, the Rural Works Program, the Basic Democracies Scheme, and, more recently, the People's Works Program and the Integrated Rural Development Program.

Unfortunately, bad management and lack of genuine commit-

ment sometimes led to large-scale waste, and the returns on the money invested in these projects often were small.

Mr. Syed Fakhar Imam says a new spirit has been brought into his ministry. Two of the old aid programs were merged and priorities were outlined, each with set targets.

Funds for rural development stem from four sources: international agencies such as the International Development Association; the federal government; the provincial governments (officially there are four — Punjab, Sind, Baluchistan and the North-West Frontier Province, in addition to the territories with India); and local resources.

In recent years, some innovative uses have been made of local resources, a development that the minister welcomes.

The first local council elections in Pakistan in 20 years were held in September, 1979. About 4,160 councils, both rural and urban, elected their representatives on a nonparty basis. In the rural areas, a three-tier administrative framework was set up: Eight to 10 villages would form a so-called union council, which fell under the jurisdiction of a Tehsil council, which in turn answered to a district council.

The lowest units receive some revenues directly (rents from municipal property and tax levied on transported goods, for example). That money is used generally for nondevelopment administrative costs.

As an experiment the five-year plan that begins in 1983 will band 10 percent of the total development budget to the local councils to invest as they see fit. Administrative reform also has enabled the government to improve its tax-collecting procedures — \$250 million was collected in 1980-1981, as compared to \$140 million in 1978-1979.

### Encouraging Local Initiative

As part of a bid to bolster self-reliance and confidence in local initiatives, Mr. Syed Fakhar Imam recently chaired the first meeting of a program aimed at giving about 54,000 local councillors some training in aspects of law, finance and other topics.

Mahmud ul-Haq, the deputy chairman of the planning commission, recently outlined the government's development plans. In general, provincial revenues will provide the funds for nondevelopment expenditure, while federal funds are to be invested in development projects.

A national budget of \$3.25 billion in the coming fiscal year aims for 5-percent growth in the farming sector (the plan calls for 9-percent industrial growth and 6.3-percent overall growth). The key areas for rural development are primary education, health and drinking water. Also high on the list are electrification, road improvement and mechanization, the latter in a bid to boost agro-based industries and ease large-scale rural unemployment.

Private enterprise this year invested \$2.05 billion (up from \$1.66 billion the year before). The government seems reasonably satisfied with that.

### Little Malnutrition

The life of the rural inhabitant in Pakistan is not nearly as miserable as it is in some parts of Asia and Africa. Infant mortality is high (120 per 1,000) and life expectancy is low (52 years compared with age 74 in the Western world), but malnutrition is not at critical levels. Officials estimate that only 2 to 3 percent of rural adults suffer from malnutrition. Yet the situation is precarious: One really bad spell of weather could cause mortality rates to soar.

To provide security against that, Pakistan needs tremendous improvement in its rural infrastructure. The electrification record is a poor one. As recently as 1977, only 5,800 of the country's 45,000 villages had access to electric power. By 1982, an additional 7,000 villages had electricity, but that still left nearly three-fourths of the villages without power.

Electricity has become important not just in the fight against illiteracy and for social welfare, but also to provide a cheaper alternative to the diesel irrigation pumps that have become so costly to run because of high oil prices. The minister for water and power, Raja Sikander Zaman, has pledged to bring electricity into an additional 1,000 villages in the coming year. Priority is to be given to villages that have offered to pay up to 30 percent of the installation costs.

Even those localities with power hookups have problems. Angry farmers complain about frequent power cuts. In some villages, these last up to three hours each day.

### Road-Building Efforts

Another major undertaking is road-building, which is essential for delivering farm products to town markets, and vital in ensuring the timely arrivals of fertilizers (crops have been known to fail because of delays in fertilizer deliveries). The record here has not been bad: From 1978 to 1983, 3,970 miles (6,400 kilometers) of roads of one type or another will have been constructed.

Mechanization plans call for introducing about 20,000 small tractors through the country.

Special attention should be given to Baluchistan, the largest of Pakistan's provinces, the most sparsely populated and the poorest (1981 per capita income was \$125). The province, which is partly desert, has been unstable; this year

## Agriculture: 33% of Budget Marked for Investment Effort

(Continued from Page 75)

4.1 percent following the 4.4 percent achieved in 1980-1981 and the record figure of 6.9 percent in 1979-1980.

The slowing of the growth rate is explained by unseasonable rainfalls delaying cotton-seed sowing, hailstorms that caused damage to the wheat harvest, and blight attacks on pulses that cut down target expectations by as much as half.

"Cropping intensity in Pakistan stands at an average of 95 percent [one crop a year equals 100 percent], said Saeed Qureshi, secretary in the Ministry for Food and Agriculture. "and although it has wrongly been said that our country is ideally suited for agriculture — the soil is good, the general environment is good — the climate is a little too harsh. The intensity of heat cuts off photosynthesis after a very short period of maturation."

Consequence of the climate or consequence of more human inadequacies, it remains that agriculture-related imports weigh the balance of payments by some \$600 million — 15.6 percent of total imports of which only tea (2.2 percent) is a commodity that could be difficult to reduce.

### Achievement in Wheat

Crop yields, though, have been slowly rising, and Pakistan's foremost achievement has been with wheat. Until last year, Pakistan still had to import flour, a trend that was halted in 1980-1981.

Self-sufficiency was reached, and in the years to come Pakistan hopes through yield improvements in its "Punjab granary" to become a wheat-exporting nation.

Rust-resistant varieties of wheat seed are being dished out to farmers; consequently yield per hectare has been slowly rising (8 percent in 1979-1980; 5.4 percent in 1980-1981; and 2.1 percent so far 1981-1982.) Due to the rainfall situation, the wheat crop this year should be slightly below the 12.2-million-ton target.

Rice is grown on 10 percent of the national cultivable area (wheat, 35 percent; cotton, 10 percent; sugarcane, 4 percent and maize: 3.5 percent) and is Pakistan's top export product.

Favored by a good international climate, rice exports were able to bring in higher export earnings than in the previous year (\$565.8 million in 1980-1981 against \$422.2 million) despite a serious shortfall in production due to bad weather (3.32 million tons in 1979-80 against 3.07 million tons in 1980-1981).

This year's weather having been suitable for rice cultivation, the 1981-1982 target is set for a record 3.4 million tons.

Cotton is not only the country's second-most important export commodity (\$525.5 million 1980-1981, a 57 percent increase in revenue over the previous year) but is Pakistan's main source of material for her domestic industry.

### Victim of Pricing

This year's cotton exports were victims of unfavorable international pricing and a fall in demand, but the 1981-1982 crop is expected to be the best so far with a target of 4.4 million bales.

Sugarcane production has increased. From a situation of

imports three years running, the expected bumper crop in 1981-1982 (34.1 million tons) should provide vast exportable surpluses although depressed international market prices make this eventuality improbable.

The record is a deceptive one. If it is true that output has increased in most key crops, this is mainly owing to reasonably good overall weather conditions and to some headway in agricultural extension.

### Irrigation System

Yield per hectare increases (+2.39 percent, +7 percent, +4.73 percent and +6.74 percent for wheat, rice, cotton and sugarcane, respectively) were made possible through the distribution of improved varieties of seeds.

Little or no improvement has touched the two major constraints stifling agricultural outputs, water availability and fertilizer use.

Pakistan has one of the largest integrated irrigation systems in the world: 56,000 kilometers of canals and 160,000 kilometers of watercourses in the fields. But, as Mr. Qureshi explained, "it is a very old system derived from the days of British rule, and not only is the system badly in need of repair, but in those days, the British farmer wasn't too concerned about the problems of salinity and water-logging."

Water is both misused — farmers believe that the more they water a crop, the better the yield will automatically be — and lost. Leaks in the system account for up to 45-percent water wastage. In addition to the needed repairs and the establishment of proper cattle paths and culverts in good shape, water-logging and salinity have become "twin menaces" threatening vast tracts of the 14.29 million hectares of irrigated land in Pakistan (71 percent of land under cultivation).

In all areas, both the federal government and international agencies have invested hard cash. To recover some of the 5.18 million hectares of cultivable land presently saline and some — if not all — of the 6.88 million hectares plagued with water-logging, a 10-year program is at work. By June, 1980, \$4.5 billion had been spent.

The solution is to set up horizontal and vertical drainage systems; between 1975 and 1981, 340,000 such tubewells were laid. Crash program involving voluntary farmhouse labor were able to bring about the thorough cleaning up of 12,000 watercourses in Punjab alone. The consequence was that water-availability went up by 3.9 percent at farmgate in 1980-1981.

The fertilizer issue is a different problem altogether. Nitrogen-based products were previously grossly overused in relation to phosphate-based chemicals.

Nitrogen-based fertilizers were increasingly popular with farmers between 1975 and 1980. This was a result of the heavy subsidies invested in fertilizers to initiate farmer use.

With the rise in the cost of oil products, the subsidies are being gradually withdrawn. At the same time, Pakistan has moved to increased import substitution in this field. The removal of the subsidies is being carried out selectively, hitting the nitrogen-based products harder to encourage the use of phosphates, important for wheat.

The application of fertilizers per cropped hectare has remained stable during the last two years (55 nutrient kilograms/hectare) following a sharp decrease once price leveling has been removed. Considering yields have slowly increased, this means that farmers have begun to use the chemicals more carefully.

With the improvements in agricultural extension and rural development, the coming years should be propitious to Pakistani farmers. Certainly the money, from government hedges and from international assistance, is all there; neither can the scorching sun be completely blamed for shortfalls. What is needed now is the human push.

### Water Buffalo

Wallowing its way through life, canals and ditches, the water buffalo is one of the Indian subcontinent's eternal values, and in Pakistan the animal's economic importance is considerable. The country's 12 million buffalo population provides the bulk of the nation's requirements in milk and sometimes meat, but also, despite mechanization, the buffalo still provides 85 percent of the rural area's motive power, from pulling carts to tilling fields.

As a subsector of agriculture, livestock management accounts for 8.05 percent in Pakistan's gross national product, yet like in all other agricultural sectors, its prime characteristic is its grossly underused potential. Pakistanis are meat-lovers (vegetarianism is unknown), but the per capita consumption of meat is low: 10.2 kilograms a year, a situation in which the rationing of meat via the imposition of two meatless days every week has not really had any convincing effect.

Meat production at the present is 1 million tons a year. Programs are at work that should provide an additional 0.5 million tons of beef. The main thrust is to provide cattle farmers with the foodstuffs that will enable them to feed their animals more than at simple maintenance level.

Milk then remains one of the country's main sources of protein. Yet production only rises by 2 percent each year while the urban population is increasing by 8 percent. Pakistan's per capita ratio for milk is the highest in the region (901 liters/annum) and the economy only has to buy an extra 4 million tons of dried milk each year to make up for the insufficiency of the 9.2 million tons of milk produced.

To make better use of the "milk lakes" of Punjab and Sind, the government is attempting to convince local and foreign investors to establish better collecting systems as well as cooling plants. The incentives used, such as tax holidays, no duty on imported machinery and leave to bypass the land reform's limitations on holdings, have had some success as projects for joint ventures stemming from Dubai, Saudi Arabia, Kuwait and Canada are in the pipeline.

Agronomists are conscious of both the limitations and the latent potential. Apart from openings to investors, the Department of Agriculture, with UNDP, IFAD and IDA assistance has embarked on program destined to improve the quality of the indigenous livestock.

## STATE LIFE ON THE MOVE PROGRESS AT A GLANCE

State Life was established on 1st November, 1972, following the nationalisation of Life Insurance Business the same year in Pakistan. Since then it has maintained a steady pace of progress in all phases of its operations. 97% of State Life's surplus is credited to its Policyholders. State Life was recently conferred upon Gold Mercury International Award for productive development on the strength of the following solid achievements:

| Ordinary Life    |                    |                 |               |           |                         |
|------------------|--------------------|-----------------|---------------|-----------|-------------------------|
| Year             | First Year Premium | Renewal Premium | Group Premium | Life Fund | Yield on Mean Life Fund |
| (Million Rupees) |                    |                 |               |           |                         |
| 1973             | 48.2               | 218.9           | 49.6          | 1494      | 6.6                     |
| 1974             | 53.9               | 234.2           | 58.8          | 1534      | 7.4                     |
| 1975             | 49.9               | 243.6           | 60.9          | 1735      | 8.0                     |
| 1976             | 56.6               | 253.5           | 72.9          | 1943      | 8.8                     |
| 1977             | 55.7               | 277.6           | 94.9          | 2194      | 9.8                     |
| 1978             | 80.1               | 305.4           | 114.8         | 2494      | 10.3                    |
| 1979             | 97.7               | 338.2           | 120.8         | 2785      | 9.9                     |
| 1980             | 110.0              | 364.5           | 164.0         | 3111      | 10.0                    |
| 1981             | 132.0              | 397.0           | 189.0         | 3451      | 11.0                    |

### CLAIMS PAID FROM 1.11.1972 TO 31.12.1981

| Ordinary Life Insurance |                 |               | Group Insurance |        |
|-------------------------|-----------------|---------------|-----------------|--------|
| Death Claims            | Maturity Claims | Claims        | Death Claims    | Claims |
| (Rs.)                   | (Rs.)           | (Rs.)         | (Rs.)           | (Rs.)  |
| 247.3 million           | 930 million     | 609.7 million |                 |        |

Total Claims Paid: Rs. 1787 million

### Bonus Rates Per Rs. 1000 Sum Assured Per Annum

|                   | 1974 | 1980 |
|-------------------|------|------|
| Whole Life        | 22   | 35   |
| Endowments:       |      |      |
| 20 years and over | 22   | 28   |
| 15 to 19 years    | 15   | 19   |
| Up to 14 years    | 10   | 12   |

a national concern  
for the nation's future  
**STATE LIFE**  
INSURANCE CORPORATION OF PAKISTAN

## Pakistan International Airlines comes home to a big celebration— Pakistan National Day

Pakistan International Airlines joins fellow countrymen the world over in celebrating our National Day.

We are the airline with an impressive fleet of the most modern aircraft. We are able

to extend our services with even better connections to over 60 destinations on four continents around the world.

Always with a warm smile and a lot of caring. That's why visiting our country with

us is just like coming home.

**PIA**  
Great people to fly with

مکان من الوطن



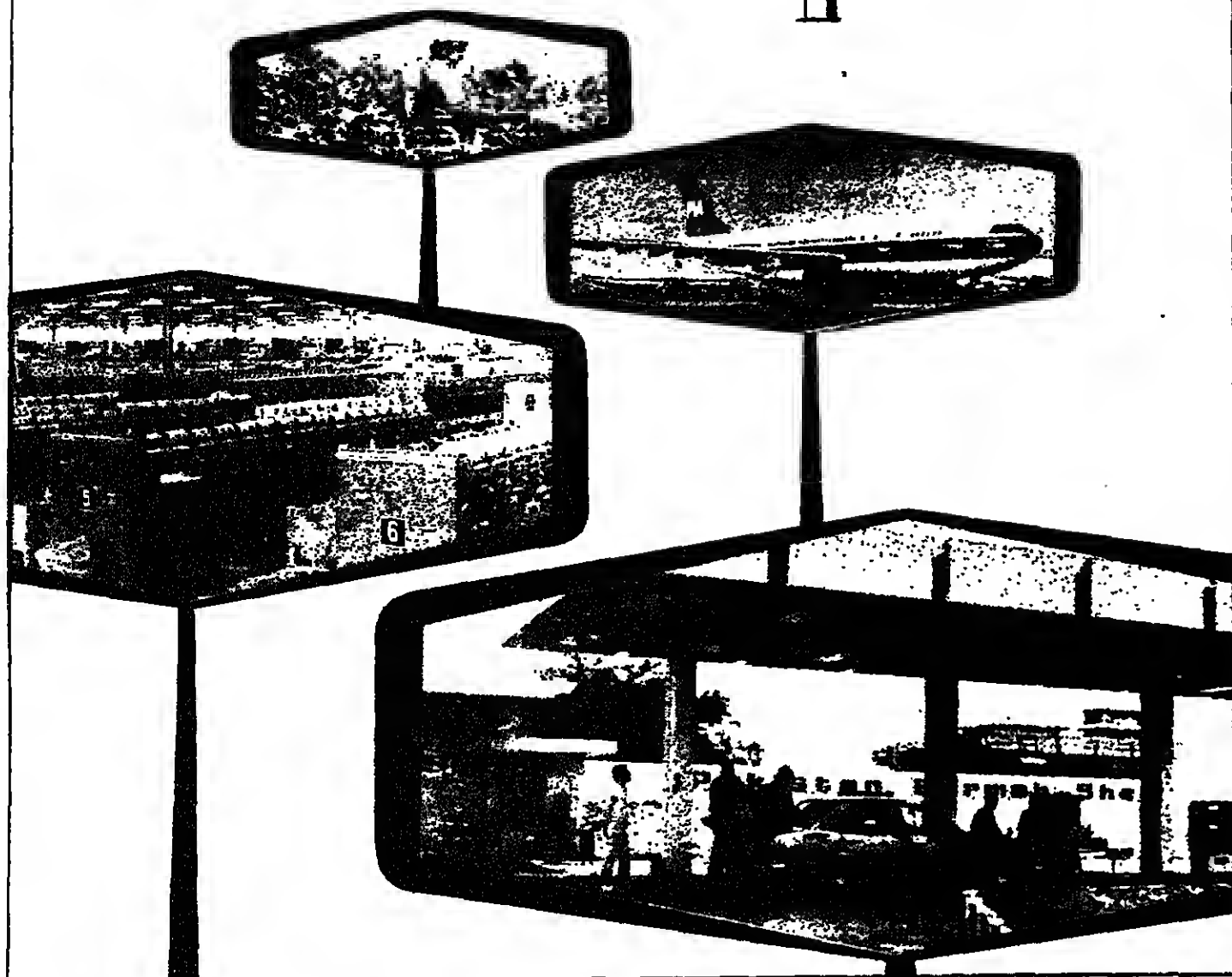
## From highways and airfields to factories and farms

**PBS** helps to move the wheels of progress in Pakistan.

Custodians of a great tradition, we have been there right from the start. Pakistan Burmah Shell is a Pakistani enterprise associated with international Burmah and Shell Group of companies.

It brings the fruit of the most advanced research in petroleum technology to the country. With an extensive supply and distribution network spread throughout the country, Pakistan Burmah Shell is deeply involved in the country's progress and serves its vital development needs both in agriculture and industry and in transport and aviation.

**Pakistan Burmah Shell** is part of progress in Pakistan.

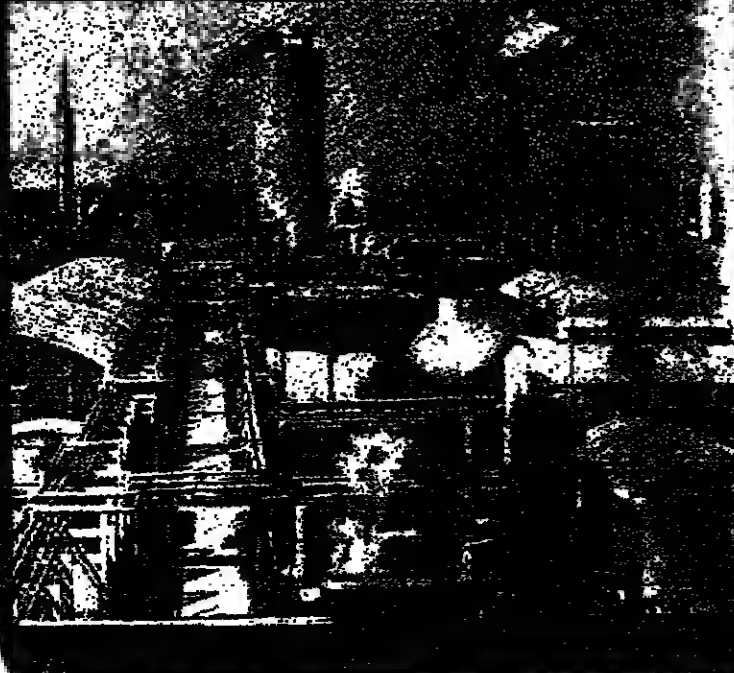


## WE SPEAK THE LANGUAGE OF MODERN TECHNOLOGY

A modern industrial base, a large reservoir of skilled labour, advanced technology, this is the back drop for Pakistan's engineering sector. A combination of technical and physical skills that produces more and better for less. In light engineering the product range includes agricultural implements, bicycles, electric fans, radio components, centrifugal pumps, transformers, electric generators, motors, wires, and cables... to name but a few. In the ferrous field a host of items from wire nails to steel structures. Complete plants of cement and sugar, cotton-ginning machinery and road building equipment, ships, barges and railway carriages are examples of the diversity and modernity of the heavy engineering industry. It can justly be said of Pakistan that it has complete command of the language of engineering technology.



EXPORT PROMOTION BUREAU  
Government of Pakistan  
Press Trust House, 2nd Floor,  
11, Chundrigar Road,  
Karachi, Pakistan



| Items        | % of Total Industrial Output | Units             | 1979/80 | 1980/81 | 1981/82 Target |
|--------------|------------------------------|-------------------|---------|---------|----------------|
| Cotton Yarn  | 13.9                         | millions of kgs   | 362.8   | 374.9   | 390            |
| Cotton Cloth | 13.0                         | millions of sq.m. | 342.3   | 307.9   | 350            |
| Jute Goods   | 0.6                          | 1000's of tons    | 41.8    | 50.2    | n.a.           |
| Sugar        | 7.4                          | 1000's of tons    | 586.0   | 851.0   | 880            |

Source: The Pakistan Federal Bureau of Statistics

## Textiles: Remedial Steps for Sector Bear Fruit

(Continued from Page 75)  
textile mills were able to earn substantial profits, at least in the early days of the Bhutto era, but through inexperience they were incapable of upgrading their products when world market conditions dictated the need. The loss of confidence between industry and government did the rest.

The Zia administration then laid down and has since consistently reiterated the driving force of Pakistan's new industrial policy: to reassure the private sector. In a first move, it offered to give back nationalized units to their original owners, and some spinning (separation of cotton from seed) factories were successfully denationalized. But regaining trust is not an easy business. Pakistan's industrialists wanted concrete evidence that things had changed.

**High Liabilities**  
Liabilities contracted through poor management during the nationalized phase were in some cases three times the original investments. Until the slate was cleaned, few industrialists felt motivated enough to recover their former enterprises.

The textile industry overhauls benefited from the measures that the government adopted to boost industrial production in 1977-1978. These measures included the opening to the private sector of industries that had been earmarked by the 1972 Economic Reforms Order for public sector investment alone. The measures also included tax concessions, exemption from certain excise duties, accelerated depreciation, import relaxations and so on.

On top of all these early measures, the import policy outlined

for the exercise of fiscal year 1982-1983 went one step further. In a bid to promote both import substitution and greater export achievements, 90 new raw material and capital goods items have been exempted from import duty. To encourage exports, imports of foreign machinery are now allowed up to a worth of \$500,000, against the previous \$300,000 allowance. Likewise, under the BMR plan (balancing, modernization and replenishment), an exporting unit can contract machinery worth \$1 million (which includes the \$500,000 accessible to all industries).

### Concessions Made

The open door and invitation made by the government to the private sector includes a number of provisions concerning the textile industry specifically. Permission has been given to textile industrialists to import all counts of cotton yarn. Pakistan's cotton is mainly short-fibered, not suitable for high-quality textiles. Through past stubbornness in refusing to accept that Pakistani textile output was at times far below desired quality standards, exports suffered serious setbacks.

Concessions have been made to allow units to produce a better-quality product. With a view to resolving the crisis, the government has also proclaimed that no new spinning units would be sanctioned (except in the free-trade zones), expansion of existing units would only be allowed on certain stringent conditions and, finally, no sanction would be issued for setting up a textile unit on the basis of repatriable capital. Pakistan knows it has the manpower and the technology and therefore has

no need for managers from abroad.

The renovation of the textile industrial infrastructure is particularly important in view of the fact that cheap labor, which Pakistan has, is no longer sufficient to produce competitive goods for world market consumption. The increasing part of quality material and the fact that labor costs only account for approximately 10 percent of total production costs have imposed the drive for efficient use of modern machinery.

The government's policy toward the private sector appears to have borne fruit. From July, 1977, through to March, 1982, total approved investment amounted to \$3.7 billion, an average of \$780 million a year. This is almost four times the previous government's record (an average of \$180 million a year from 1972 to 1977). The largest invested sector was chemicals and fertilizers (28.5 percent of total investment), followed by non-metallic mineral products (14 percent) and textiles (16 percent).

The importance of textiles in the manufacturing goods industry can be seen from the fact that food investments (mostly sugar) account for 7.9 percent of the total, paper and pulp for 5 percent, and rubber tires for 4.4 percent. These three sectors are on the increase. Only the once thriving leather industry has a disappointing record, 0.8 percent of total investments.

### Installed Capacity

The installed capacity in the textile industry looks good. By December, 1981, the date of the latest figures, 4.27 million spindles and 25,000 looms were crying to be used in the whole of Pakistan. The public sector still retains some pre-

dominance as four major state mills began production during 1981-1982. Finally, Pakistan's first synthetic textile plant — financed in part by the public sector, in part by international loans (Asian Development Bank) and in part by Saudi Arabian interests — began production late last year.

Pakistan's planners view the country's future in the textile business with some alarm. Certainly the potential is there, and certainly they believe their government has given its industrial sector all the financial and administrative tools for success. If Pakistan has recovered its potential for quality output at competitive prices, the main hurdle is "Europe."

Pakistan claims that it was with a "knife under the throat" that it agreed to sign the Multi-Fiber Arrangement with the European Economic Community and Scandinavia. The EEC accounts for 20 percent of total textile exports (France, Britain and West Germany being the leading trading partners). Whether Pakistan will be able to escape from the constraints of the MFA (on yarn quality) depends very much on its ability to acquire better-quality raw material.

Signing the MFA agreement might have been too hasty a move. The four major textile-producing nations in the region — Hong Kong, Macao, Taiwan and South Korea — are said to be in the process of renegotiating a better deal for themselves with European nations than the one Pakistan accepted. Whatever the future for Pakistani textiles, the ball is in the Western camp, and the recovery might turn out to be very slow.

— K. G. B.

## Workers' Remittances Important to Economy

KARACHI — Seeing a chance to gain additional foreign exchange from workers returning from the Gulf rather than losing it to Middle Eastern traders, the Pakistani government has opened a duty-free shop in Karachi, stocked with all the favorite brands of items — particularly Japanese — that the workers like to bring home.

Two such shops are to be opened by the end of the year in Rawalpindi and Lahore. The returning Pakistanis can visit the shops any time within 60 days of their arrival, taking relatives along to help choose giant U.S. refrigerators, West German washing machines, Japanese stoves or the latest in stereo equipment. Trucks and automobiles will also be made available later.

The only stringent requirement is that payment be made in foreign currency.

The new shops will not only allow returning Pakistanis to avoid excess-baggage payments and alleged "fleeing" by customs officials, but will provide yet another outlet for Pakistan to capitalize on its 2 million or more workers in the Gulf area. The venture is expected to pay handsome dividends in terms of profit.

The main way Pakistan capitalizes on these workers now is through the remittances they send home. Most save at least 50 percent of their income, transferring it to their families. Pakistan's nationalized banks convert this Gulf money to rupees for the families, retaining the foreign currency to help pay the country's import bill and make foreign debt repayments.

**Frittered Away**  
At more than \$2.2 billion, these foreign exchange remittances have easily drawn ahead of the country's \$1.7-billion oil import bill, for instance. They have increased more than tenfold in the last decade and are approaching the level of Pakistan's earnings through its merchandise exports (about \$2.4 billion in 1981-1982). Although it is grateful for the foreign exchange, the government scores no net income from the remittances and is growing increasingly concerned at their being frittered away on consumer goods rather than being invested in small businesses and industries.

"What is happening is very much like the Western concept of keeping up with the Joneses," said a secretary in the Ministry of Production. "A neighbor will come in and say: 'My goodness, Mrs. Khan, your son's working in the Gulf and you don't have a refrigerator!'" The pressure to acquire is tremendous, even when there is no electricity in the village. Then the items are displayed around the house to impress the neighbors, and sold off to people in the cities four to six months later. The sad thing is that all this money is locked up in this way, and not being put to better use."

On the other hand, the increase in such buying heralds a dramatic change in the economic standards of the lower 40 percent of the population. In the early 1970s, remittances were used almost exclusively to buy food.

"Nutritional standards have improved substantially," said Mahbub ul-Haq, deputy chairman of the Planning Commission. "Only 2 to 3 percent of the population are now malnourished, as against 25 percent of the population of India."

Dr. Haq and others closely involved with the Gulf workers' re-

turning because of the income redistribution.

"When they send remittances or when some of them come back, they want to see improvements in social services — and in that area, things have not changed much in Pakistan in the last 35 years," Dr. Haq said. He said that a high priority in the next six years will be accelerating the pace of rural development and social services.

The result of the lack of facilities is a move away from villages by families of overseas workers. This mass movement is slowly changing the face of Pakistan. Lahore, Pakistan's second-largest city, is growing at such a phenomenal rate that it is about to spawn a new city complex 10 miles (16 kilometers) away, at Muridke, to cope with the annual 5-percent population growth, a third of which is accounted for by the rural influx.

Just how much of this growth comes from families of overseas Pakistanis is not known, but retired Maj. Gen. Mohammed Haseem Ansari, director-general of the Lahore Development Authority, said that his agency was reserving at least 10 percent of the land for such families.

### Study of Migration

To explore this movement away from the village, with its resultant strain on traditional family ties, as well as other economic changes affecting overseas Pakistani families, the Pakistan Institute of Public Opinion is conducting a six-month study, due to be finished in December. The study was commissioned by the Overseas Pakistanis Foundation, an active participant in government efforts to smooth life for the Gulf worker.

The foundation's deputy managing director, Saghir Hasan, accompanied a Pakistani delegation on two trips abroad this year to listen to complaints by overseas Pakistanis and counsel them on investment and other opportunities. The trips — in February to Britain and Denmark and in March to Saudi Arabia, the United Arab Emirates, Kuwait and Qatar —

were made on the directive of President Mohammed Zia ul-Haq in response to workers' complaints of governmental neglect.

Headed by the minister of labor and overseas Pakistanis, Ghulam Dastgir Khan, the delegation included representatives from the Investment Advisory Center of the Ministry of Industries (to advise on investments), the Central Board of Revenue (to explain baggage rules), Pakistan International Airlines (to answer flight complaints) and the Banking Council (to explain the policy on remittances). Mr. Hasan found the overseas Pakistanis particularly concerned about three things: They wanted subsidized plots for residential housing in urban areas, and admission for their children to good schools; and they were eager to make investments, but wanted advice.

Reza Syed, managing director of the Investment Advisory Center, and a member of the delegation, distributed booklets and gave advice on investment opportunities.

### Urban Plots

Pakistan would like to see its returning workers setting up workshops and small businesses and industries with the 100,000 to 500,000 rupees each can make in three or four years. Already there is a certain amount of investment being made in land improvement and purchase, and in transport.

As for subsidized plots for residential housing, the Overseas Pakistanis Foundation's housing division has been buying urban plots from development agencies at cheaper rates than the usual market price for the last two years. Under directives from the Cabinet, 10 percent of all development plans must now be reserved for the workers.

"But in practice, this is not being implemented," Mr. Hasan said. "The Karachi authorities say they have no such directive. They are not cooperating. So we are mainly concentrating on Lahore. Peshawar is helping also."

On the educational front, the children of overseas blue-collar

workers are being given scholarships and other assistance from the foundation to enable them to attend better schools, professional colleges and technical institutions.

In a plan being launched this year, the foundation is providing funds for school furniture in villages from where large numbers of workers have gone abroad.

**Prestigious Schools**  
To comply with the wishes of overseas white-collar workers — businessmen, doctors and engineers in London and Dubai, for instance, who are able to take their families with them — the foundation is attempting to reserve seats in Pakistan's prestigious boys' schools, which cater to the feudal aristocracy, top government workers and army officers.

The foundation has had one success so far in this area: Lawrence College, near Murree, where it has contributed 2 million rupees for construction of a new classroom block. The college has agreed to admit 20 boys each year for the next 18 years.

For the daughters of the white-collar workers, the foundation is building a residential school in Islamabad to take 800 girls between ages 5 and 19. Wealthier overseas Pakistanis worry about their daughters growing up in alien cultures with major social differences such as European dating practices.

Estimates of the number of Pakistanis working abroad vary from 1.5 million to 3.5 million; the number is expected to increase 5 percent to 10 percent a year in the next four to five years. As the Middle East construction boom slowly winds down, the Pakistani government hopes its workers will learn new skills and find other opportunities in the Gulf.

"The future will be in the maintenance field," Mr. Hasan said. "There is a feeling in the government that workers should start being trained for this maintenance work, and reports and studies have already been carried out."

— P.M.

## Banking: The Islamic Factor

(Continued from Page 95)

Investment Corp. of Pakistan and the House Building Finance Corp. In the latter case, rent charged the tenant was made proportional to the initial investment in construction of the building.

As a result, HBFC rents were actually lowered. The National Investment Trust and Investment Corp. of Pakistan now declares its dividends at the end of each six-month accounting period on the basis of an equal sharing of profits between the subscribers and the managers of the fund.

### New Savings Accounts

The system went a step further in January, 1981, with the opening of "interest-free" counters in all Pakistani banks and in one foreign bank, the Bank of Oman.

In these banks, the depositor has the choice of opening a traditional savings account, with a fixed rate of interest, or a musharaka-type account.

Musharaka deposits have generally delivered interest rates superior to the traditional accounts, and already account for more than 12 percent of total deposits (\$820 million in March this year).

Interest rates for musharaka deposits vary from 8 percent to 13 percent.

Banks are allowed to reinvest musharaka deposits only in low-risk fields.

But contention over the banks' handling of musharaka deposits caused an outcry earlier this year.

To pay for the servicing of investments and to procure "a fair return for their work," banks began operating on a mark-up basis, with the ultimate result being that the saver saw little difference in his pass-

Some banks were charged with operating in a way proscribed by Islam.

Letters and articles in the press showed there was widespread confusion over what distinguished "evil profit" from "lawful gain."

A newly created Religious Board regulated the mark-up system and put other reforms in place, and the furor subsided.

### Second Phase

Phase 2 of the Islamization of the banking system was launched this July. Provisions were established to supervise the funneling of credits and working capital.

"The bank now has to take an even more active participation in the workings of a loan-demanding enterprise," said Abdul Karim, economic adviser in the state bank.

"The bank has to be certain that the company's profit record is good."

If a loan-seeker has no previous business experience or is judged on, Mr. Karim said, "the crucial determining element will be the man's reputation for honesty."

— K. G. B.

PEARL MARSHALL is a free-lance technical and economic journalist based in Asia.

KIM GORDON-BATES is a free-lance journalist based in Paris who reports on Asian affairs.



# PAKISTAN

## Education: Raising Literacy, Stressing Islamic Awareness

ISLAMABAD — Pakistan's education policy, framed in 1978, is trying to catch up with past inattention: the promotion of "Islamic awareness" and at the same time, opening the road to development.

In doing so, Pakistan's education planners are up against formidable odds. The nation's literacy rate is one of the lowest in the world.

According to the 1972 census, only 21.7 percent of the population could be termed literate. There were wide differences between males and females, with a literacy rate of 30.2 percent for men and 11.6 percent for women, and between urban and rural areas, with a 41.5-percent rate in the former and a 14.3-percent rate in the latter.

By 1979, however, the overall literacy rate had officially risen to 24 percent, revealing a disturbing lack of improvement. In some remote rural areas, female literacy rates will still be found below 5 percent.

What the figures mean is that past budget expenditure on education (10 percent of total spending, against military spending of 26 percent) has just about been able to cope with population growth (2.8 percent a year). If, according to the theologian educationalists, such as the Islamic adviser for education, Yusuf Tazai Ali (who, despite his name, is a white American converted to Islam), religious feeling is supposed to fight the devil of illiteracy, it is surprising that since the 1977 Islamic revival so little progress has been made.

### Islamic Urge

That is, according to A.Z. Faruqi, secretary to the Ministry of Education, because "the constraints imposed on us are simply mind-boggling" and as far as the Islamic urge goes, "people here in Pakistan already know the Koran by heart." Whatever the virtue of Islam in promoting literacy, the problems are deeply rooted.

Fifty percent of schoolchildren quit class after only two years of schooling. The phenomenon as such is not an unusual one for a developing nation with a vast rural hinterland. The vital economic necessities of village life dictate the families' behavior: young girls have to look after babies and house, young boys are needed in the fields.

"It is also that we have to interest the children," Mr. Faruqi said. Consequently, after having purged about \$50 textbooks of "all non-Islamic and anti-patriotic material," curricula changes are envisaged. Along with the introduction of agro-technical teaching, compulsory for children aged from 10 to 14, there has been the writing of a single integrated reader for the whole of Pakistan replacing a mixture of available methods.

### Introduction of Arabic

One innovation that is taken very much to heart, initiated by President Mohammed Zia ul-Haq, is the introduction of compulsory classical Arabic into the curriculum. Classical Arabic is the religious vector of Islam, but there are critics here, who without being anti-Islamic in any way, think that ultimately the project can only be destructive.

Pakistan is not a linguistically homogenous nation, and if a child from a Pathan or Baluchi background is to succeed in life, he has first to learn the ethnic language; then Urdu, the national language; then English, used in higher education; and now classical Arabic.

But the biggest problem that Pakistan's educators have to contend with is the lack of any extended educational infrastructure. In the case of Punjab province alone, home of more than 60 percent of the total population, more than 70 percent of established primary schools (35,000) have no building. Those villages fortunate enough to have a room marked "school" then face the problem of gross understaffing. A teacher may have to cope with 60 children; there are normally two teachers for five classes.

### Reforms

The problem is therefore twofold: insufficient school buildings and the present lack of teaching staff. On both issues, the government has pushed through a number of reforms that it hopes will radically change the state of the nation in the years to come.

To resolve the first constraint, Dr. Mahbub ul-Haq, deputy chairman of the Planning Commission, came up with an inspired idea. To overcome the shortage of buildings, he has started a program aimed at gradually establishing primary schools in mosques that are only used for prayers in the evenings.

In the fight to reduce illiteracy, the main emphasis has been laid on primary education, and although building proper school structures has been boosted, mosque facilities are not considered totally suitable. The mosque transformation program expects to open 5,000 to 8,000 primary schools this coming year, against the 2,000 annual average for the last five years.

This year's Federal Development Budget for education is the highest the country has had so far, \$35 million, to which one must add loans and grants from foreign sources such as the recently agreed

cy \$10-million credit for textbooks and teacher-training facilities.

The turn toward mosque-schools has been supported by a reassessment of the official who was known as the Tehsil (small district) school inspector. The post was created under British rule and was adequate to cope with needs then. Originally, one man had a maximum of 30 to 40 schools on his beat; today the number can be anything between 100 and 200, which the inspector never got around to seeing.

From now on, the inspector will have a new job. It will be his duty to go down into the village units and act as an administrative adviser in coordination with the village-elected "education committees." Among other tasks, the inspector will have to select appropriate mosques and brief the local imam in his responsibilities.

**'The main education focus is on primary schooling... But the government has outlined provisions for other key areas, such as higher education for women.'**

Mr. Faruqi, together with all the other national planners, is perfectly aware of the limitations of the mosque-school scheme. To put it mildly, the small village imam is hardly much more than a basically literate himself and cannot be viewed as a long-term substitute for a trained teacher.

Previous education policies offset any chance of attracting young graduate teachers to operate in rural areas. Teachers wishing to settle down in urban zones would be entitled to a housing allowance of up to 45 percent of their basic salary (approximately \$40 a month) whereas it was thought that in rural areas the villagers would be sufficiently glad to have their teacher that they would materially take care of him. It was an optimist's view that sadly turned out to be

wrong: the rural teacher was anything but safe from the pangs of hungry days.

As from last year, wages were reassessed and the gross discrepancies between urban and rural earnings are said to have been corrected. Still, \$5 or \$6 extra is not a strong enough incentive to convince young urban graduates to go out into remote villages.

### Recruitment Standards

Teacher recruitment standards are being relaxed. To become a teacher in rural areas, one no longer has to be a college graduate, simply a promising secondary school graduate with good results. The former nine-month training course for graduates has been replaced by training sessions spanned over three years. The government hopes to attract local graduates to take up class in their native environment.

The main education focus is on primary schooling to try to cure the causes of rural illiteracy. But the government has outlined provisions for other key areas, such as higher education for women. The first university for women is to be opened up in a year or two.

Likewise, the thrust to have Pakistan out of technological dependency goes on. Twelve technical colleges now operate in the country, against six colleges two years ago.

It has been suggested that more than 100,000 adults were currently following adult literacy courses set up with UNESCO aid. The figure is apparently vastly overoptimistic. Mr. Faruqi, when asked about the issue, confessed: "We really wouldn't know where to start!" — K. G-B.

## Nuclear Power: Approval Linked With Peace Pledge

(Continued from Page 75)

supply nuclear power equipment, the Western diplomat said, many other countries might only insist on the standard International Atomic Energy Agency (IAEA) safeguards covering just the fuel and the plant itself.

A Western nuclear source said that for months now the IAEA has been trying to upgrade the safeguards at the 137-megawatt, Canadian-supplied Kanupp reactor in Karachi, Pakistan's sole operating nuclear power plant. This came after the country had mastered the ability to fabricate its own fuel, and followed reports to the IAEA at the end of 1980 about difficulties in verifying the number of fresh fuel bundles.

But Shamin Ahmed Chaudhri, the director of the Pakistan Atomic Energy Commission, says most of the original safeguarding proposals suggested by the IAEA have either been implemented or agreed upon. These included the deployment of cameras and other monitoring devices and improved sealing systems.

He said five meetings had taken place with the agency on this subject and further negotiations were expected.

### Making Its Own Fuel

Pakistan has sought to make its own fuel using uranium mined from the Bagalchore deposits near Multan in southwest Pakistan, since Canada imposed an embargo on supplies for the Kanupp plant in December, 1976.

"We started making some fuel about two years back and we immediately informed the IAEA of our capability," says Mr. Chaudhri. The fuel is fabricated at the Kundian plant at the Chashma site.

"Our fuel was and is still going through a test phase," Mr. Chaudhri said. We loaded our fuel in Kanupp along with the Canadian fuel. We still have some Canadian fuel in the reactor but the stock is depleting fast as it's been five years since the last supply.

It was the Canadian embargo on fuel supplies and Pakistan's realization that it could fabricate its own fuel for Kanupp that encouraged the start of what Gen. Zia describes as the "modest program" in uranium enrichment for its Chashma series.

### Sophisticated Technology

Unlike Kanupp, which is a Candu-type reactor that runs on natural uranium, Chashma will be a light-water reactor, or LWR, requiring enriched uranium, a fuel that calls for such highly sophisticated enrichment technology that it has only been mastered by a few countries in the world.

"Whether our small-scale research and development project will come up to an adequate level for fueling our LWR we cannot say," said Mr. Chaudhri. "It could take 20 years to reach that scale, or it could all break down."

The first 900-megawatt Chashma unit would have to function on imported enriched uranium, he insists. Some sources speculate that this fuel supply could be negotiated with the country supplying the plant.

The Chashma site is capable of supporting at least four reactors and possibly six depending on the availability of water from the Indus River.

But the main constraint in nuclear construction has always been the availability of adequate financial resources. That is why the Pakistan government is hoping that bidders on the first plant will offer external financing help.

### Strategic Importance

Pakistan obviously hopes that its increased strategic importance, with some 100,000 Soviet troops in neighboring Afghanistan, will cause Western countries to take a more lenient view toward helping it with its nuclear projects.

A 600-megawatt version of the Chashma reactor was approved in 1976, but at that time the country was funneling all its available resources into big projects like the Tarbela dam and the Karachi steel mill.

A Pakistani energy expert who declined to be identified said one answer to any controversy over his country purchasing a nuclear reactor from the West, would be to disassociate the purchase from the PAEC. He said the commission had become too tainted by talk of an "Islamic bomb."

If the more advanced Western countries declined to supply reactors, Spain or Argentina might be able to, he added.

### Spanish Involvement

The Spanish engineering firm Sener, based in Bilbao, has already been closely associated with the project, and submitted a report on the financial and technical aspects earlier this year. It is not known who paid for the Sener consultancy contract but a Western nuclear source said that "The Spanish think the Saudis did."

Sener was one of three bidders for the contract, the most important overseas work it has obtained. The firm was aware of Pakistan's controversial status in nuclear affairs, according to a source, adding that the relations between the Pakistanis and Sener were "very clean."

— P.M.

## Need Seen For Wider Search for Energy

ISLAMABAD — Despite the lack of a major breakthrough in its oil exploration and development program, Pakistan's state-owned Oil and Gas Development Corp. is about to offer 11 structures for joint ventures with foreign firms, with details to be announced this month.

"Our drilling rates are not satisfactory," said Dr. Mahbub ul-Haq, deputy chairman of Pakistan's Planning Commission. "Countries making a breakthrough drill at least 100 wells a year. That's the rate we would like to achieve. We want private investors to come in and take a chance on Pakistan. We have prepared a model agreement so they can see the kinds of concessions the government is willing to give."

The move to tempt in more foreign partners is accompanied by a major energy planning exercise to find the best ways of developing the country's energy resources during the next 20 years. Pakistan is casting around for solutions to its crippling shortages of power in the peak months, and to an energy import bill that has grown from \$70 million to \$1.7 billion since 1973.

Helping the Planning Commission analyze the alternatives is the Geneva-based International Energy Development Corp.

### Potential

"The potential is here, but whether financial resources will be available in time and in sufficient quantities is another question," said IECD Executive Vice President Francisco Parra.

Currently, natural gas accounts for the major part — or 41.7 percent — of Pakistan's energy mix, with oil at 36.6 percent, hydroelectricity at 15.9 percent, coal at 5.3 percent, liquid petroleum gas at 0.3 percent and nuclear power at 0.2 percent.

But, as many Pakistanis are beginning to realize, gas is not an infinite source and the government is stopping further use of gas for power generation purposes, substituting instead furnace oil or HSD. If no new major gas discoveries are made, supplies could well be exhausted within the next 20 years.

This means that there will be greater emphasis on nuclear power and hydroelectricity.

### Oil Uncertainty

Because of the uncertainty over oil, Pakistan is now investigating all possible energy options.

"We are giving the subject the carpet treatment — probing all the aspects," President Mohammed Zia ul-Haq said.

As part of this move on all fronts, Pakistan will be putting its planned 900-megawatt Chashma nuclear reactor out to global tender in the next six months, to be followed by two more similar-size reactors in the late 1980s.

Canada's CIDA is ranking Pakistan's hydroelectric sites in terms of technical and economic merit, so that the easiest can be started first. The CIDA study should be completed by the end of 1983.

While the ranking exercise continues, decisions have already been made to increase the capacities of the Tarbela and Mangla hydroelectric projects to 4,500 megawatts and 1,000 megawatts, respectively. The country is also preparing to go ahead with the \$2.4-billion, 1,760-megawatt Kalabagh hydroelectric project at Minawali on the Indus River, in the Punjab. These three projects alone will be capable of generating a total of more than 7,000 megawatts annually by the end of 1995.

### Hydroelectric Sources

About 60 percent of the 3,300 megawatts of power currently being generated in the country is provided by hydroelectric sources, said Maj. Gen. Ghulam Safdar Butt, chairman of the Water and Power Development Authority. This percentage is expected to increase now that natural gas can no longer be used for future thermal power plants. The total hydroelectric potential is estimated at around 20,000 megawatts.

Because of the high sulfur content of Pakistan's coal, development of this resource is limited until new technological breakthroughs make easy utilization possible.

Pakistan is currently producing 15,000 barrels of oil a day, about 12 percent of its total oil requirement. The rest is imported from Saudi Arabia, Iraq, Iran and other Gulf states.

The boost up to 15,000 barrels a day from last year's 10,500 barrels is mainly due to Union Texas' recent discovery of oil at Khaskeli in Sindh province. Union Texas is one of nine private foreign and local companies involved in oil exploration and development in the country. Two more firms — Hunts and Atlantic Richfield — have shown interest in joint ventures.

### Exploratory Wells

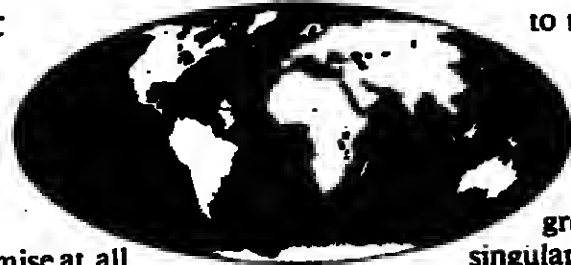
The Petroleum Ministry budget foresees the drilling of 48 exploratory, appraisal and development wells in the fiscal year beginning July 1, 1982, up from the 29 to 31 wells of the previous two years. Twelve of the new wells will be drilled by the public sector and 36

## What does it mean for PNSC to be the national flag carrier of Pakistan?

Now that PNSC

ships are the exclusive representatives of Pakistan in all the world's major ports, we cannot compromise at all on performance. We have to use our resources judiciously, work with optimum efficiency and provide the best possible service

to the trade and the nation. This calls for a zealous dedication to maximise all its efforts towards greater growth. The singular honour of being the national flag carrier has infused PNSC with the spirit of dynamism needed to match the great responsibility nation has entrusted it with.



**Pakistan National Shipping Corporation**  
The National Flag Carrier



These places have a close link to many big cities around the globe.

They are covered by the network of over 1600 branches maintained by National Bank of Pakistan at home and abroad

The bank has played a key role in the development of Trade, Industry and Agriculture in Pakistan, also in the promotion of the country's foreign trade. Possessing special expertise in international banking and finance, National Bank has branches in key business and financial centres of the world. The latest addition to these is the Beijing office.

### Head Office

11, Chundrigar Road, Karachi, Pakistan

### OVERSEAS BRANCHES:

**United States** 100 Wall Street, P.O. Box 500, New York, N.Y. 10005.  
U.N. Plaza, New York Branches at: Chicago, Washington.  
**United Kingdom** 18 Finsbury Circus, London EC2M 7BJ.  
Branches at: Knightsbridge, Manchester, New Castle-upon-Tyne, Sheffield, Watford, Birmingham, Bradford, Edinburgh, Glasgow, High Wycombe.  
**Hongkong** 324 Central Building, Queen's Road, Central G.P.O. Box 3920, Hongkong.  
Branches at: Kowloon, Kwai Chung, Kwun Tong.  
**Bahrain** 8/10 Manama Centre, Manama, P.O. Box 775, Bahrain.  
**Germany** 6000 Frankfurt Main Schindlerstrasse-3, Frankfurt.  
**France** 90, Avenue Des Champs Elysees, 85008, Paris.  
**Japan** Mori Building No. 20, 7-4, 2-Chome, Nishi Shimabashi, Minato-Ku, P.O. Box 5182, Tokyo 105-91.  
**Bahama Islands** Norfolk House, Fredericks Street, P.O. Box 142, Nassau, Bahamas.  
**Egypt** 7th Floor, Arab Socialist Union Building, Corniche El-Nil Street, P.O. Box 168 (MOHAMMAD FAROU) Cairo.  
**Peoples Republic of China** Room 4026 Yan Jing Hotel, Fuxing Road, Beijing.  
**Saudi Arabia** Head Office: Airport Road, Kaki Building, P.O. Box 6277, Jeddah.  
**Joint Venture Bank Al-Jazira** Branches at: Jeddah, Riyadh, Dammam, Al-Khobar, Makkah, Medina, Abha, Taif, Yanbu, Al-Jubail, Unizah, and Hater-Al-Batan.



**National Bank of Pakistan**  
serving in many lands for many years

مکان من العمل



# High Technology Boosts Fertilizer Production

LAHORE — With financial help from friendly Moslem countries, particularly Saudi Arabia and the United Arab Emirates, Pakistan has purchased advanced technology from the West and pushed ahead with large fertilizer projects that have helped make it almost self-sufficient in nitrogenous fertilizer.

The \$200-million public sector Pak Saudi Fertilizers complex at Mirpur Mathelo in Sind province, which started up at the end of 1980, for instance, was helped by loans of \$29 million from the Saudi Fund for Development and \$50 million from the government of Saudi Arabia, as well as \$50 million from the Asian Development Bank.

The loans were used to purchase the Dames & Moore-Tosco ammonia process. Italy's Snamprogetti was tapped for the \$57,000-metric-ton-per-year urea plant.

A similar-size project owned by private sector Fauji Fertilizers at Machhi Goth in the Punjab was helped by a loan from the Kuwait Fund for Arab Economic Development.

## OPEC Loan

Public sector Pakarab Fertilizers at Multan in the Punjab not only received an \$11-million loan from OPEC, but also a 48-percent equity contribution from Abu Dhabi National Oil Co.

China, Pakistan's friend to the east, provided a grant covering half the \$78-million costs of a fourth project. This has only been operating the last three months and is sited just outside Rawalpindi.

Through its five public and three private sector fertilizer companies, Pakistan produced more than two-thirds of its total fertilizer requirements in the 1981-1982 financial year ending on June 30.

Production totaled about 790,000 nutrient tons of fertilizer against a demand of 1.1-billion nutrient tons, of which 862,000 is nitrogenous and 223,000 tons phosphatic. The public sector's contribution is 61 percent of total production.

Phosphatic fertilizers are mainly imported. In fact, the country has little hope of becoming self-sufficient in phosphatics for a long time to come, whereas it should be self-sufficient in nitrogenous fertilizer shortly

and remain that way until about 1984-1985. Both types of fertilizer are essential for thriving crops.

Decisions on new fertilizer plant construction will not be made until a World Bank-sponsored, nine-month macro-study of fertilizers' role in Pakistan's economy has been undertaken. This study was expected to be put out to international tender this month.

Reasons for the study are to explore demand and supply projections for the future, especially in light of the sudden halt in 1980 in the phenomenal annual growth rate of around 15 percent in the consumption of fertilizers during the previous decade.

The study will also look at the availability of raw materials in the country, particularly natural gas, which is one of the basic ingredients for fertilizer, and rock phosphate.

The government's massive hike in fertilizer prices is seen as the main reason for the halt in the growth rate of consumption of fertilizers by the farming community. These hikes were made in order to eliminate burgeoning fertilizer subsidy payments, which were becoming too big for the country to handle.

By late 1979, the government was saddled with \$300 million a year in fertilizer subsidies in an effort to reduce costs to farmers.

The idea, which was originally politically inspired, was to encourage farmers to keep producer prices of crops artificially depressed and supply cheap food to the cities.

"But the government found it was paying too high a price for such a policy. It lacked the ability to keep handing out subsidies ad infinitum," a Western economic source said.

## Balancing Act

The solution was a delicate balancing act aimed at reducing the fertilizer subsidy while at the same time slowly allowing producer prices for crops to creep up to world levels. The government's eventual goal, with the encouragement of the International Monetary Fund, is to eliminate fertilizer subsidies by 1985.

The first fertilizer price hike of almost 50 percent took place in February, 1980, followed by a second increase in nitrogenous

fertilizers of about 10 percent in March of this year. Since that first price rise, fertilizer consumption has increased by less than 1 percent.

"And still the [subsidy] bill for the coming fiscal year will be about \$150 million on the government's budget," said Ejaz Naik, secretary in the Finance Ministry's economic affairs division. "We've been lucky so far in that while we've been reducing this subsidy the international price of fertilizer has been low. But if oil and fertilizer prices go up, our commitment to eliminate this subsidy will be difficult to implement."

The main concern of those involved in fertilizers and agricultural products is that crop yield might start being affected as reductions continue in fertilizer subsidies. So far this has not happened and the only impact has been more efficient use of fertilizers by the farmers.

"Though consumption of fertilizer has been static, the production of agricultural crops has not been affected, so it shows the farmers are using fertilizers more carefully now," Mr. Naik said.

## Agriculture

Figured into the overall equation must be Pakistan's reliance on a thriving agricultural sector. Approximately one-third of its gross domestic product comes from this source. Also, the country's fertilizer consumption per hectare of cultivated land is low. It is less than half that of Egypt, for instance, and runs at only about 54 kilograms per cultivated hectare against a recommended 150 to 200 kilograms per hectare.

Until the growth in fertilizer consumption came to an abrupt halt in 1980, planners were projecting a growth rate in demand of at least 10 percent per year until 1990, said Riyaz Bokhari, chairman of Pakistan's National Fertilizer Corp. This would have justified an additional nitrogenous (urea) plant and possibly two phosphatic fertilizer plants. Both the World Bank and the Asian Development Bank have already indicated interest in helping with a new urea plant if justified by the upcoming nine-month study.

Where phosphatics are concerned, there are many alternatives to be explored. One suggestion is to increase urea production so

it can be exported, and use the foreign exchange to buy phosphatics, thus eliminating the need for phosphatic plant construction.

If phosphatic plants are built in the country, competition could be lively from both public and private sectors, despite the government's insistence that future investments will no longer be made in areas where the private sector is interested.

## DAP Plants

Rafiq Habib of the influential Habib family would like to set up a large diammonium phosphate (DAP) plant in Baluchistan, for instance. Two other private companies are also interested in DAP plants, including the Fauji Foundation, which recently started operating its urea plant at Machhi Goth.

On the other hand, NFC, which runs the public sector fertilizer units, argues that a better case can be made for a 1,610-ton-per-day nitrophosphate plant, citing the costly import of ingredients needed for DAP. It points to the experience already gained in running its nitrophosphate plant at Multan. As yet, the private sector has not shown interest in a nitrophosphate project, an NFC source said.

In the meantime, NFC is carrying out a \$50-million program to increase the capacity of its Multan urea plant by an additional 100 tons per day and rehabilitating the old Pak-American ammonium sulphate plant at Daudkhel in the Punjab.

The money, \$38.5 million of which was loaned by the World Bank, will also be used to reduce pollution from the plants and set up a technical training center at Multan.

Although help from the Middle East has been a blessing in terms of encouraging fertilizer plant construction, the Moslem countries have helped create staff problems on the operational side. Engineering recruits given costly training in Pakistan are quickly lost to the Middle East.

One of the NFC's subsidiaries lost half of its experienced engineers to either the Middle East or the private sector within a short span of three to four years. The situation became so critical at one stage that serious consideration was given to engaging a large number of foreigners to run the plant.

—P.M.

## Fertilizer Production Capacity in Pakistan

| Fertilizer Project                             | Product  | Year of Commissioning             | Production Capacity*       |
|--|--|-----------------------------------|----------------------------|
| <b>PUBLIC SECTOR 1981-1982</b>                 |  |                                   |                            |
| Pak-American Fertilizer Ltd.(NFC)              | Ammonium Sulphate  | 1958                              | 19                         |
| Lyallpur Chemicals & Fertilizer Ltd.(NFC)      | Single Super Phosphate   | Faisalabad 1957<br>Jaranwala 1968 | 3<br>13                    |
| Pakarab Fertilizers Ltd. (NFC)                 | UREA<br>Calcium )<br>Ammonium )<br>Nitrate )<br>Nitrophosphate ) | 1962                              | 27                         |
| Paksaudi Fertilizers Ltd (NFC)                 | UREA   | 1980                              | 256                        |
| Hazara Urea Fertilizers Plant (NFC)            | UREA   | 1982                              | 44                         |
| Sub-Total                                      |  |                                   | Urea 533<br>Phosphatics 86 |
| <b>PRIVATE SECTOR</b>                          |  |                                   |                            |
| EXXON Chemical Fertilizer Ltd                  | UREA   | 1968                              | 80                         |
| Dawood Hercules Chemicals Ltd                  | UREA   | 1971                              | 160                        |
| Fauji Fertilizer Company Ltd                   | UREA   | 1982                              | 258                        |
| Sub-Total:                                     |  |                                   | Urea 498                   |
| <b>Grand Total PUBLIC and PRIVATE Sectors:</b> |  |                                   | N 1031<br>Phosphatics 86   |

\* rated capacity, thousands of nutrient tons

## Rural Development: Government Plans To Transform Nation's Farms, Villages

(Continued from Page 95)

as well, disturbances were reported in the Marri and Bugti zones.

Apart from the potential threat to national peace (the Baluch rebellion of the 1970s played a major part in the downfall of Prime Minister Ali Bhutto), attention has been focused on the province by the discovery that huge resources of natural gas lie under its rocky hills.

Federal spending on development in Baluchistan has soared from \$50 million in 1981-82 to \$200 million in the coming fiscal year, with \$70 million of that from foreign sources.

This year should also see the completion of the long-needed RCD Highway linking the provincial capital of Quetta to Karachi. "Soon Baluchistan will reach the same level of development as other states," Mr. Syed Fakhar Imam said.

And Mr. Mahbub ul-Haq commented, "Baluchistan is a whole new economic frontier waiting to be opened up."

A loan institution, the 4th Agricultural Credit Bank, has been set

up with IDA assistance to help farmers acquire loans for crop improvement. And two major financial institutions, the Industrial Development Bank of Pakistan and the Pakistan Industrial Credit and Investment Corp. will be better able to stimulate private enterprise, as the funds for lending available for each will be boosted from \$30 million to \$100 million.

## Banker on a Motorbike

An unusual program was established a few years ago by the current chairman of the Agricultural Development Bank of Pakistan, Jamil Nishtar. "It's basically the concept of a banker on a motorbike," he said. The idea stemmed from the fact that with 7,000 bank branches in the country, thousands of villages still were unserved.

So today, following three-month courses in finance, young agricultural graduates are handed a Japanese motorbike, a crash helmet and a list of 25 villages to visit at least once a fortnight. These young men have power to grant loans of up to \$1,000. The farmer never sees the money he has signed for,

instead, the banking bikers take care of the purchase, delivery and supervisory use of the piece of equipment needed.

The mobile banker recovers the credit when the farmer takes his crops to market. The recovery rate stands at 97 percent (compared with 55 percent in the branch banks). More than 10,250 villages are served by about 400 traveling bankers; the program has had contracts with 60,000 borrowers for a three-year loan total of \$125 million.

Next year will also see the first application of the Ushr welfare tax, which takes 5 percent of farm produce from individual land owners. This tax in kind is taken directly by the village "Zakat Committees," which redistribute the produce to needy people in the community. The first Ushr is to be levied on the April, 1983, wheat crops.

The government hopes its changes and innovations will not only improve production and exports, but also dampen the migration from rural areas into cities.

—K. G-B

## Priority Is Set on Development of Baluchistan

ISLAMABAD — Baluchistan, the remote but strategic western province of Pakistan, is to be the focus of a concentrated development program during the next few years, backed by resources from the West and Moslem countries.

Neglected during the years of British rule as impossible to penetrate because of its bleak mountainous terrain, the province has since been the scene of considerable resistance by its proud tribesmen against attempts at stricter control by the Punjab-dominated central government in Islamabad.

Several insurgencies have been fought, the last in the mid-1970s, fueling Baluchi separatist sentiments. Since the Soviet intervention in Afghanistan in late 1979, the West has feared that Moscow would try to capitalize on this Baluchi resentment against the more powerful Punjabi ethnic group by inciting further destabilization.

Baluchistan's long borders with Iran and Afghanistan make it especially vulnerable to such subversion. A pro-Soviet, independent Baluchistan would open the way for a Soviet march south to the Arabian Sea, realizing the age-old Czarist dream of a warm-water port in Asia.

The decision by the Pakistan government to develop Baluchistan by appealing for foreign financial help is partly

inspired by opportunism because of this situation, according to political sources. President Mohammed Zia ul-Haq fully acknowledges that the Soviet intervention in Afghanistan has helped Pakistan "expose its needs and requirements" to the West.

"Baluchistan has really been brought into focus," he said. "We are going flat-out for its progress and development: agriculture, minerals, the social and educational aspects, electrification of villages, construction of roads and development of the rural areas."

But in addition to seizing the moment, there is also a strong realization in the central government that it can no longer afford politically, socially and economically to overlook Baluchistan. A region bigger than West Germany, it constitutes 43 percent of Pakistan's land area, even though only 4 percent of the 84 million population live there.

"We are mustering up a program [for fiscal year 1982-1983] of around 700 million rupees from foreign aid and practically that much from our own resources," President Zia clarified, adding that the \$70 million had already been lined up from the United States, Kuwait, Britain, Japan, West Germany, the Netherlands, Canada and the World Bank.

This is just the start, he said. The country has assessed a

20-billion-rupee requirement for Baluchistan as part of a five-year project. Doctr countries, although skeptical of the Pakistan Planning Commission's claims that Baluchistan could become the new granary of the country once its 15 million acres of valley land are fully cultivated, still endorse the need for basic development. "If you go to Baluchistan, you can already see the electricity pylons marching up the valley," a Western economist said.

This electricity will bring irrigation through electrification of tube wells. Baluchistan currently produces mainly fruits and vegetables. Its almonds, grapes and apples are prized by the people in Karachi.

Because foreign aid for Baluchistan cannot easily be tied to specific projects much is coming in as general program aid.

The British, for instance, are supplying almost \$10 million in grants to Baluchistan and the North-West Frontier Province, which also borders Afghanistan. This is not being paid directly. Instead a system has been devised where free equipment is being supplied to the Pakistan government for the railways and other projects, and the government in turn puts the rupee equivalent toward the development programs of the two provinces.

—P.M.

## LISTENING TO THE WORLD

How do you speak to the world of finance? With a worldwide presence. On-the-spot action. Mature decisions. International expertise.

All of which UBL has acquired in a remarkably short span of time. With an international network of branches, the most modern technological and support facilities and the highest standards of personalized service, UBL is well-reputed in investment banking sectors around the world.

Today UBL has an international network of over 1670 branches in Pakistan and 52 overseas branches, subsidiaries and a Joint Venture to provide a broad spectrum of services to its international clientele.

We're the bank where money matters but people count.



**United Bank Limited**  
THE PROGRESSIVE BANK

Head Office: Karachi, Pakistan

## Sheraton sets the style



## in Karachi

The Sheraton style is understanding the needs of the discerning guest. Karachi Sheraton, located in the heart of the city amidst luxurious surroundings, offers excellent business facilities and efficient personalized service. The hotel has 418 elegant rooms and the best of international and local cuisine. Feel the splendour of the Orient at Karachi Sheraton. In a style which assures consistently high standards of quality and service.

**Karachi Sheraton Hotel**

مکرم المصلح



# THE STEEL MILL: A DEFENSE

The Western point of view is that with plenty of steel being produced elsewhere — why not import? But for us, the steel mill represents immense economic gains for the economy ... Without it, industrialization will not follow natural growth patterns.

**BIN QASIM** — Pakistan Steel's chairman Haq Nawaz Akhtar says that the \$2.5-billion steel mill built with Soviet aid 40 kilometers east along the coast from Karachi should be in the black by the late 1980s. He denies the criticism that the mill is a white elephant and will be losing money on every ton of steel it makes.

It should be reaching a shade of gray very soon, he says. And he stresses the effect it will have on the nation's developing economy. "The Western point of view is that with plenty of steel being produced elsewhere — why not import? But for us, the steel mill represents immense economic gains for the economy," says Mr. Akhtar. Without it, Pakistan's industrialization will not follow natural growth patterns.

The engineering industry now has to be stimulated to ensure the steel mill's production is used. The private sector is being invited to establish downstream units, either near the site or elsewhere in the country, to produce components for machinery manufacture.

## Demand Exists

The demand is already there. Five tractor assembly plants that initially call for imported components will increasingly require locally produced components as know-how is indigenous. So, too, will Pakistan Railways' locomotive assembly factory being set up with Japanese assistance at Risalpur in the North-West Frontier Province and the Suzuki truck and automobile assembly plants being launched by Pakistan Automobile Corp.

"The World Bank Industrial Commission has twice identified engineering exports as our main

development for the future," says Mr. Akhtar, explaining that Pakistan's current primary exports of cotton and rice make the country vulnerable to trade fluctuations. Exports need to be diversified to include a much greater share of finished goods. The 1.1-million ton steel mill complex, under construction since 1975, started producing pig iron and coke last year, but the downstream units have yet to be commissioned. Actual steel production should start around the end of the year when the steel making plant and fillet mill complete their trial runs.

But the steel mill complex will only have a chance to start breaking even in 1985 when it is operating at capacity and the value added products (cold-rolled sheets and hot-rolled sheets) are being produced.

Currently coke and pig iron are being produced at prices well above international rates, but are being sold to domestic sources at prices substantially lower than the import price.

Mr. Akhtar says the high cost of production is primarily the result of being in a quasi-production stage where administrative overheads are massive compared with the small section of mill currently operating.

"We are starting with a lower incentive price because, as I see it — and this is the government's mandate — our main profit in the balance sheet is going to come from the downstream engineering industry," he says.

The steel mill's 1.1-million tons is projected to meet the country's overall demand for steel in 1985, apart from some allied steel items the mill is not capable of producing.

Imports until now have never exceeded 700,000 tons, while domestic steel production utilizing electric arc furnaces and imported scrap totals about 300,000 tons annually.

## Stimulation of Demand

The government's belief is that once indigenous steel becomes available it will stimulate demand, just as domestically available pig iron and coke have done in the past year. Both items are used in Pakistan's foundries. When they were imported demand was roughly 20,000 tons annually of each. Yet sales totaled 50,000 tons last year.

The biggest constraint to utilization of capacity in the engineering industry (currently only about 30 to 40 percent) has been lack of indigenous inputs, claims Mr. Akhtar. This is because imports have to be paid for in foreign exchange, allocation of which is very restricted.

"With us supplying these inputs in abundance, utilization of capac-

ity should be easily attained," he says.

While Pakistan Steel waits for its steel-making unit to start production, the mill has sold 250,000 tons of pig iron to India and 60,000 tons of coke to Romania, with an option to sell an additional 40,000 tons should there be a surplus.

It has also had enquiries about small quantities from 5,000 to 10,000 tons of coke from Iran and similar amounts of coke and pig iron from Bangladesh.

"But basically we are out in the export market," says Mr. Akhtar. "We just want to dispose of temporary surpluses."

The shore-based steel plant, which is infrastructurally connected with the new port under construction at Bin Qasim, currently depends on major imports of raw material for its operation, receiving iron ore from India, Australia, Brazil and Liberia, and metallurgical coal from Australia, the U.S. and Canada.

— P.M.

# PAKISTAN

## Engineering: Strategy of Development

**ISLAMABAD** — Pakistan's recent agreement with Japan's Suzuki Motor Co. to produce automobiles, jeeps, trucks and vans illustrates the government's strategy toward development of the country's engineering industry.

Vehicles will first be assembled with imported Japanese machinery and components. As Pakistan's engineering capacity develops, a progressive switch will be made to domestic components with the indigenous contribution growing from 30 percent at the beginning to 70 percent or 80 percent in five to six years.

Prior to the agreement with Suzuki, Pakistan had no automobile manufacturing capability, although domestic production of trucks and buses was expected to reach 4,979 by the end of fiscal 1983.

The Suzuki project will be made easier by the fact that all four

Suzuki vehicles have many parts in common, including the engine.

Pakistan is already manufacturing sugar and cement plant equipment under license and has recently signed contracts to export sugar plants to Bangladesh and Indonesia.

"We are now doing what India was doing in the 1960s," said Haq Nawaz Akhtar, chairman of Pakistan Steel. "But our development period will be compressed. Our processes will hopefully avoid much of the costly trial and error India has had to go through."

Pakistan's steelmaking capacity, which should become available as the 1.1-million-ton mill at Bin Qasim near Karachi slowly comes on stream, is expected to stimulate the engineering industry and move the country from the first to the second stage of industrialization.

Pakistan currently assembles cars, trucks and tractors using imported components but should

eventually be able to make its own.

"In the decade of the 1990s we should reach the third stage of industrialization — electronics and automation," Mr. Akhtar said.

The Suzuki project, concluded in June, will utilize idle production facilities at two existing units — Sind Engineering and Awami Automobiles — of the public-sector Pakistan Automobile Corp.

## Private Sector

The private sector will be encouraged to develop its vehicle component manufacturing capability and some 130 participants have already been listed by PACO with help from a visiting Suzuki team.

"So we will be integrating the manufacturing capability of private sector plants with our 'mother plants' in the public sector," said Abdul Mahid Mufit, a Ministry of Production official. "It will be a good example of the collaboration

we are trying to achieve between both sectors and will set the country on the road to self-sufficiency in truck and automobile manufacture."

With a capital cost of 572 million rupees and a Suzuki holding of 10 percent of the total equity of 120 million rupees, the 10-year project calls for production of 25,000 vehicles the first year, increasing to 55,000 by the 10th.

Emphasis will be on cars and pickups with production in each category expected to reach 23,600 by the 10th year. Vans and jeeps will each be restricted to 3,900.

With its domestic market satisfied, Pakistan eventually hopes to export motor vehicles, particularly to the Middle East where it enjoys close ties with fellow Islamic nations.

Suzuki was a natural choice for the collaborative arrangement as its small pickup is already a popular vehicle in Pakistan.

## Private Sector Is Challenged to Assume Investment Role

(Continued from Page 75)

Pakistan's business community is still bitter about Mr. Bhutto's breaking up of the "22 families," a phrase coined to describe the close network of families monopolizing banking and industry in the "Golden Age" of the 1960s.

"Even when the Indian government went through its Socialist phase it never did what Bhutto did, though India did nationalize banking and insurance," said a member of one of these families. "Bhutto broke up the families and it was the families who created the projects."

## Private Sector Promotion

This same businessman believes that President Zia is genuinely trying to promote the private sector, but feels that the government should have done something sooner to show its sincerity.

"They could have denationalized more of the projects they inherited, like the life insurance companies and the cotton and rice export corporations," he said. "General insurance, including marine insurance, has done extremely well in the private sector. But the government won't give us back the life insurance companies."

"The same is true of government control in exports of cotton and rice, two of our major primary commodities. One man is making all the decisions on cotton, for instance. There should be many decision-makers in the field and then it would not matter if some of the decisions made were wrong ones."

"Why not let the private sector in here? This is what the government should do to show people it is genuine. The private sector should have been allowed to play a bigger role much earlier."

Despite this businessman's reservations, some private sector companies are already gearing up to take advantage of the new opportunities they see appearing.

Rafiq Habib of the influential Habib family, owners of the Habib banking network before it was na-

tionalized, is thinking of setting up a \$100-million fertilizer factory in Baluchistan to manufacture diammonium phosphate. He also wants to supply components for the newly-formed Suzuki truck and automobile assembly plants of public-sector Pakistan Automobile Corp. as well as tractor components to some of the five tractor assembly companies setting up in Pakistan.

"The best areas to get into are agriculture and engineering," Mr. Habib said. The Habibs have already captured a substantial share of the bagging industry for the country's agricultural produce.

Many Pakistani investors are looking to foreign firms to start joint ventures. They saw those companies with foreign partners escape nationalization during Mr. Bhutto's time, except for the life insurance companies. A foreign partner also helps speed up time-consuming bureaucratic procedures.

## Raw Materials Link

"The ideal opportunity is to be connected with a foreign company and be involved in something based on raw materials with an outlet in the Gulf," said Begum Salma Ahmed, who owns a ship-breaking firm but is looking into other investment opportunities now that Pakistan's shipbreaking industry is going into decline.

Begum Ahmed claims that though many of the traditional business families that lost under Mr. Bhutto are out keen on responding to the current investment challenge, new people are coming into the field.

One of her possible new areas of investment is a cement plant, and cement is one area where the private sector is already visibly taking over from the public sector. At least four private sector cement plants are now coming up and should be completed by the end of 1984.

"After two or three years of the martial law regime, people started noticing the steady growth of gross domestic product at 6 percent — on paper at least," Begum Ahmed said. "It now seems a good time to put

money back into the country. The returns in Pakistan are very good, although investment may be safer elsewhere. The Habibs are astute enough to understand the present position. After a certain time of waiting, and in the absence of any other major parties coming forward, they feel they can probably make good."

Western industry and diplomatic sources point out that no substantial investments are yet being made from abroad and this situation will continue while Pakistani businessmen themselves are still uncertain about the future.

## Hope for Enthusiasm

When Britain's ICI decided to make a heavy investment in a 12,000 tons a year polyester plant near Lahore in the late 1970s, the Pakistan government hoped it might encourage other foreign companies to test the waters. But there was no major reaction. And foreign companies already in Pakistan are still mainly restricting investment to expansion of existing capacity rather than new capacity.

Despite the cool response so far from its wooing of the private sector, the government has high hopes that the enthusiasm of people like the Habibs and the Ahmeds will spread. It looks forward to having its funds freed from industrial development so that it can channel them into new priority areas.

It has cut back total spending on industry to the point where its only major outlay is on the Pakistan steel mill. The mill will start producing steel later this year, but will not be fully operational until 1984-1985.

"We are now on a bridge between two stages of our development," said Ejaz Naik, secretary in the Economic Affairs Division of the Ministry of Finance. "Having attained self-sufficiency in food grains, and with a reasonably good industrial base including near self-sufficiency in cement and fertilizers, we owe have to think of developing our energy resources and our human resources. These areas, together with improving agricultural productivity, will be our priorities over the next five years."

Reflecting this shift in priorities, which was originally outlined in the government's three-year public sector development program (1980-1981/1982-1983), total expenditures for agriculture, energy and social services increased last year from 47 percent to 55 percent. Subsidies are currently eating up \$150 million annually.

The three-year plan, drawn up in conjunction with the International Monetary Fund, called for a reallocation of resources away from the Bhutto policies and toward the following goals:

- Improving agricultural yield per acre, one of the lowest in the world. In this year's public sector annual development program, which began July 1, agriculture receives almost one-third of the total investment funds.

- Bettering the energy infrastructure in order to build a solid base for industrial expansion. Pakistan now spends \$1.7 billion annually on imports of crude oil and petroleum products, about 70 percent of the income it receives from its visible merchandizing exports (\$2.4 billion in 1981-1982). Domestic oil and gas exploration activities are to be stimulated and other energy options like nuclear power and hydroelectricity pursued. Under IMF and World Bank pressure, Pakistan is reforming its oil and gas pricing system. The higher prices should encourage not only an increase in output from existing fields, but an increase in exploration in new areas.

- Improving education and health, including looking at ways to control an annual population growth of 3 percent.

The high priority the government is giving the social services is partly the result of years of neglect, and partly because of the growing political and economic cloud demonstrated by the rural establishment, which now wants its share of a better life too. Many of Pakistan's villages have men working in the Gulf. These 2 million or more workers have helped to improve the economic life of the bottom 40 percent of the country's population.

## Oil Exploration Effort Is Intensified

(Continued from Page 115)

privately. Only a few of them will be deep exploratory wells. The government's participation in private sector joint venture operations varies from 25 percent — as in the case of British Petroleum — to as much as 49 percent in Pakistan Petroleum's Mari gas field operation.

Depending on international response to the 11 new structures being offered, two or three exploratory wells could be added to those already scheduled for 1982-1983.

But most companies responding would probably not start drilling until 1983-1984, said Petroleum Ministry Secretary Mohammed Masihuddin.

The recent visit to Kuwait, Abu

Dhabi and Canada by Pakistan's petroleum minister, retired Maj. Gen. Rao Farman Ali Khan, to discuss the opportunities involved in the 11 new structures may result in at least one joint venture agreement.

Kuwait and Pakistan both agreed to participate in joint ventures for petroleum exploration and a team from the Kuwait Foreign Petroleum Exploration Co. is looking into the possibilities.

"Whatever structures they decide on will be deducted from the 11," said Mr. Masihuddin. "There will be some free areas available also."

Interested Canadian firms were scheduled to visit Pakistan last month and this month to further analyze the opportunities.

— P.M.

**In Pakistan the big drop in PSO**

PSO supplies full range of petroleum products to all sectors of Pakistan's economy and participates in national development as its prime objective.

**PSO Pakistan State Oil Company Limited**

**PAKISTAN it's MCB country**

Muslim Commercial Bank is known for high standard of professional banking services, by providing modern fast-paced and courteous banking services to more and more Pakistanis throughout the country.

MCB's years of experience and its wide range of international services are also within the reach of those outside the country.

In addition to 1341 branches in Pakistan, the Bank operates 24 branches in the United Kingdom with special correspondents in Saudi Arabia, U.A.E., Kuwait, Gulf and correspondents all over the world.

MCB is also in joint venture with Middle East Bank Ltd., which has shown tremendous progress during the year 1981.

In Home Remittances MCB has had remarkable success in the year 1981 with an increase of 109%.

**EXCELS IN SERVICE**

**The Muslim Commercial Bank Limited**







# Herald Tribune

## BUSINESS / FINANCE

MONDAY, AUGUST 9, 1982

Page 15

### Withering Warrants Create Heavy Losses

By Terry Gross

International Herald Tribune

PARIS — A heavy load of Eurobonds with warrants collapsed last week, and when the rubble was cleared away, new issues by some top U.S. borrowers were in tatters. "I've never heard such screaming," one London-based banker said.

Traders said the losses on the warrants were in the millions. But, having had a couple of days to think it over, few of them seemed surprised.

A rush of new issues had been expected as borrowers sought to take advantage of a decline in U.S. interest rates, which came last week after the Federal Reserve cut its discount rate to 11 percent. The week saw a string of new bonds by top-quality borrowers totaling more than \$1.2 billion.

Many of the issues featured warrants, either attached or sold separately, entitling holders to purchase another issue of bonds within a set period. This also was expected, after an IBM issue with warrants generated very strong demand the week before. Warrants allow borrowers to issue paper at lower interest rates than that paid on similar paper without warrants.

What was not generally expected was a midweek collapse in the market for the warrants and with it a collapse in the market for most bonds carrying warrants. Traders said that at the end of the week the market stabilized, but prices of both new bonds and their warrants were low. One trader suggested that the bonds had been "falsely absorbed," meaning that underwriters and other professionals were holding onto their bonds rather than selling them at a loss.

Dealers, for whom the name of the game is quick turnover, were less than thrilled, even though they were still making money by holding inventories of bonds. Such profit occurs because the cost of financing the inventories remains well below bond yields.

One banker said, "The psychology of warrant issues is clear. The investor is looking for the price of the warrant to go up, not next week, but tomorrow. If he experiences a bloodbath, he won't touch a warrant."

And a bloodbath it was. An underwriter had agreed to buy warrants at \$38 each, for example, found himself at the end of the week holding pieces of paper that were selling for less than \$30 each. The bonds, following the warrants down, were selling at prices well below the fee paid for underwriting an issue.

Underwriters of bonds with warrants from Du Pont, Xerox and Manufacturers Hanover all found themselves facing double-barreled losses, some even before they had signed the underwriting commitment.

Others Were Stung Underwriters were not the only ones to get stung. IBM warrants a week earlier generated strong demand among retail investors and were trading then at more than \$40 each. They fell last week to \$33.

"It was IBM, not the warrants," one banker said, noting that the computer maker's debt received a warm reception primarily because of its quality. IBM's U.S. unsecured debt is rated triple-A by Moody's.

Another said, "Investors who bought IBM [warrants] are furious. They had been 'caught in a downward draft' just as if the market had collapsed."

A week ago, after the price of the IBM warrants was bid up from \$25, investors began to realize that at \$40 or more per warrant, interest rates would have to drop to about 10 percent before the warrants would be worth their price.

Following the Fed's lead, rates did fall — three-month Eurodollar rates went from 13.5 percent last Tuesday to 12.5 percent last Friday. But 10 percent still seemed like looking through the wrong end of the telescope.

One London banker noted another problem. Warrants entitle the holder to purchase a second bond issue within a given period at a given price. While there is an instant market and any number of market-makers for a new bond, the secondary market for the warrant entitlement bond is not guaranteed. In a week with more than \$1 billion in new issues, holding an unknown was not the most sensible tactic.

The quality of the IBM name

### Eurobond Yields

For Week Ended Aug. 6

|                             |         |
|-----------------------------|---------|
| Int'l Inst. 10-yr term U.S. | 14.40 % |
| Int'l Inst. 10-yr term U.S. | 13.95 % |
| Int'l Inst. 10-yr term U.S. | 13.75 % |
| Int'l Inst. 10-yr term U.S. | 13.55 % |
| Int'l Inst. 10-yr term U.S. | 13.35 % |
| Int'l Inst. 10-yr term U.S. | 13.15 % |
| Int'l Inst. 10-yr term U.S. | 12.95 % |
| Int'l Inst. 10-yr term U.S. | 12.75 % |
| Int'l Inst. 10-yr term U.S. | 12.55 % |
| Int'l Inst. 10-yr term U.S. | 12.35 % |

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

Int'l Inst. 10-yr term U.S.

### Illinois Utility Bucks Trend, Builds Reactors

New York Times Service

CHICAGO — Commonwealth Edison Co. continually boasts of being the leader in nuclear power generation among publicly held utilities in the United States. In the late 1950s, it set off the first commercial nuclear chain reaction. Nearly a quarter of a century later, 45 percent of Edison's power comes from reactors, totaling more nuclear megawatts than any other investor-owned utility provides.

Many energy experts are wondering, however, whether Commonwealth Edison has been blinded by its nuclear effort into pursuing a costly and risky construction program. They say the company is in a cash bind because its management is single-handedly trying to reverse the tide against nuclear power.

Building Six Plants

Commonwealth Edison has six power plants under construction, including one in northern Illinois scheduled to go into full operation Sept. 1. By 1986, Edison plans to have spent \$5.6 billion on nuclear plants in an effort to meet its goal of making nuclear capacity at least 50 percent of its total by the mid-1980s.

Other utilities with ambitious nuclear construction programs have been canceling orders for nuclear plants, including some in advanced stages of construction. Recently the Tennessee Valley Authority canceled four unfinished reactors, a move expected to cost the authority \$1.85 billion.

Commonwealth Edison's most pressing concern is the Sept. 1 start-up of its \$2.5-billion La Salle I nuclear plant at Marseilles, Ill. The Nuclear Regulatory Commission said last week that it was investigating the reactor's ventilation system and reports of faulty welding. Edison has said delays could cost it up to \$600,000 a day.

And the company must face the long-term problem of nuclear waste disposal, which could become very expensive without government help.

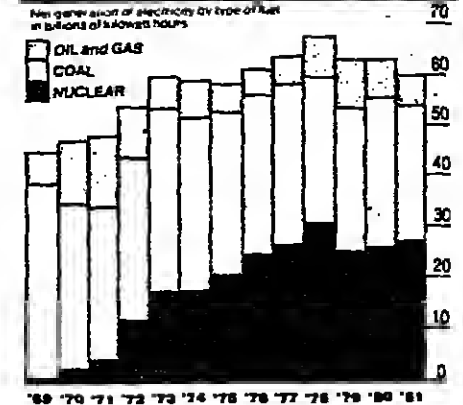
Lower Rates?

In answering critics of nuclear power, Commonwealth Edison compares its electric rates in Chicago with the significantly higher rates of Eastern cities. But rates in some Middle Western cities with little state in nuclear power are slightly lower than those in Chicago. And the national average monthly electric bill is lower, too: \$34.24, compared with Chicago's \$38.81. Analysts say interest payments on Edison's construction programs have partly offset its fuel savings.

Commonwealth Edison's critics were delighted when they learned that the utility had signed long-

### Commonwealth Edison's Sources of Energy

Percentage of electricity by source of fuel in billions of kilowatt hours



The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

The New York Times

### Steel Accord Seems Doomed; Europeans Respond Angrily

Compiled by Our Staff From Dispatches

BRUSSELS — European officials have responded sharply to statements by U.S. steel companies that appear to doom an agreement on steel trade.

In a coldly worded statement, the European Economic Community's chief negotiator, Etienne Davignon, said Saturday that he believes the agreement still stands. "The U.S. authorities have not informed the European Commission of any change in their position," he said.

President Reagan said Friday that the accord was equitable, and his administration was to recommend acceptance of it to the U.S. steel industry. But the agreement was rejected last Friday night by U.S. Steel Corp. and an association of specialty steel makers. Their condemnation appeared to torpedo months of diplomatic efforts to avoid a trade war between the United States and the EEC.

David M. Roderick, chairman of the United States Steel Corp., said the negotiated proposal was "neither fair nor equitable." He added that it would "condone a continuation of massive subsidies by European governments of their steel companies and permit a continuation of unreasonably high levels of steel imports into the American market" at unfairly low prices.

Mr. Roderick said he hoped U.S. and European officials would "continue to explore other alternatives for a fair and equitable solution that will allow us to withdraw our dumping and countervailing duty petitions."

But from the position taken by European officials, it appeared unlikely that any new round of negotiations would begin soon, if at all. The Europeans have threatened to impose restrictions on U.S. products sold in Europe if the United States imposes penalty duties on European steel shipments in the absence of an agreement on a voluntary import ceiling acceptable to the U.S. steel companies. The companies have a veto power over any agreement.

A U.S. industry executive said that the Europeans had offered to cut their share of the U.S. steel market to 5.75 percent from 6.3 percent in 1981. The proposal, he said, was one percentage point too high and failed to include all steel products sold by European companies in the United States.

The agreement was limited to shipments of hot-rolled sheet and strip, cold-rolled steel, plate, structural, wire rods, hot-rolled bars, coated sheet, tin plate, rails, stainless steel plate, The Europeans promised to deal later with pipe and tubular products.

The dispute stems from an unfair trade case filed by the U.S. steel industry last January. In response to that complaint, the Commerce Department has moved to impose duties that would price much of Europe's steel out of the U.S. market. The imposition of the

duties depends on a final U.S. government ruling, due later this month.

The penalty duties are intended to offset government subsidies that allow the steel to be sold below cost, according to the U.S. industry's complaint.

To avoid the penalties, the Europeans offered to reduce shipments under the quota arrangement, but only if the unfair trade cases are withdrawn by the U.S. companies that brought them. That is what gives the U.S. industry veto power over the agreement.

European officials said the disagreement would force the Reagan administration to demonstrate whether it is stronger than the U.S. steel industry. "If President Reagan says the accord is equitable, what do you expect us to do now, go back and renegotiate an agreement which is inequitable?" one European official asked.

### 3 Hollywood Studios Plan Pay-TV Venture

By Tony Schwartz

New York Times Service

NEW YORK — In an effort to win a larger portion of the rapidly growing revenues from pay television, three of Hollywood's six largest movie studios are to become partners in an all-movie pay-television network, according to sources close to the negotiations.

The three studios, Paramount Pictures, MCA Inc. and Warner Brothers, are expected to become partners in The Movie Channel, a 24-hour cable network that reaches two million subscribers and is owned by Warner-Amex Satellite Entertainment, a joint venture between American Express and Warner Communications, the parent company of Warner Brothers.



# RECTIFICATION SOCIÉTÉ GÉNÉRALE

U.S. \$100 millions floating rate notes due 1985/1988/1991

For the six months July 22, 1982 to January 23, 1983, the notes will carry an interest rate of 14 1/2% per annum. The interest due January 24, 1983 against coupon N° 3 will be U.S. \$369.74 (instead of U.S. \$369.75 as indicated erroneously) and has been computed on the actual number of days elapsed (186) divided by 360.

The principal paying agent  
SOCIÉTÉ GÉNÉRALE ALSAÏENNE DE BANQUE  
15 Avenue Emile-Rentier  
LUXEMBOURG

Are you looking for a high yield,  
maximum liquidity and minimum risk?

Are you now earning market rates  
on your short term liquidity?

Would you like to secure wholesale  
interest rates on retail deposits?

If the above questions matter to you

## INTERNATIONAL INCOME FUND

offers a choice of 3 investment opportunities:

**Short Term 'A' Units**, exclusively invested in US\$ money market instruments for maturities of less than 12 months.  
**Short Term 'B' Units**, invested in money market instruments denominated in the SDR currencies and Swiss francs for maturities of less than 12 months. These units offer a balanced currency approach. Income on both 'A' and 'B' units accrues daily. You can redeem units on any business day. Redemption proceeds are paid within five business days and will include full interest for that period.

**Long Term Units**, representing a balanced portfolio of Eurobonds and Euroconvertibles. Income is paid annually and units can be redeemed every week at net asset value, less 1%.

Trustee: Midland Bank Trust Company (Channel Islands) Limited  
Administrative Agent: EBC Trust Company (Jersey) Ltd., Jersey.  
Investment Advisor: European Banking Company Limited, London.

Send for full details to:  
EBC Trust Company (Jersey) Ltd., 28 Hill Street, St. Helier, Jersey, C.I. Tel: 0534 36281  
Please send full information to:

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ Country \_\_\_\_\_

Subscriptions are only valid if made on the basis of the current explanatory memorandum supplemented by either the last Annual Report or the last Interim Report, whichever is the more recent. The Legal Notice has been deposited with the Chief Registrar of the District Court of Luxembourg where such documents are available for inspection and where copies thereof can be obtained upon request. Daily prices are published in this newspaper under "International Funds".

## BAXTER/TRAVENTOL INTERNATIONAL CAPITAL CORPORATION

FIRST SERIE CONVERTIBLE PREFERRED STOCK

issued by

Morgan Guaranty Trust Co of New York

A distribution of Dollar 0.28 per depositary share less any applicable taxes depending on the presenter's country of residence will be payable on and after July 22, 1982 upon presentation of coupon n° 21 at the office of any of the following depositaries:

- MORGAN GUARANTY TRUST CO OF NEW YORK  
— New York, 30, West Broadway  
— Bruxelles, 35, avenue des Arts  
— London, 1, Angel Court  
— Paris, 14, Place Vendôme  
— Frankfurt, 46, Mainzer Landstrasse
- KREDITBANK S.A., Boulevard Royal 43, Luxembourg.

## Hungarian Bank Gets \$260-Million Credit

Compiled by Our Staff From Dispatches  
LONDON — The \$260-million, three-year Eurocredit for the National Bank of Hungary is due to be signed here Monday, the lead manager, Manufacturers Hanover, has said.

The loan, completed after negotiations over a number of weeks with senior commercial bankers, carries a spread of 14 percent over the London interbank offered rate or 1 percent over the U.S. prime rate.

The 15 banks involved each are to receive a 1/2 percent commitment fee. Eleven banks are to lend \$20 million each, and the four London clearing banks, Barclays, Lloyds, Midland and National Westminster, each are to provide \$10 million.

The credit is the first syndicated loan for a sovereign borrower in the Eastern bloc since martial law was declared in Poland last December.

Elsewhere, banking sources said that the Eurocredit for Malaysia is likely to be increased to \$1.1 billion when it is signed Aug. 18.

The loan was due to be split into two parts, with \$600 million raised at 1/2 percent over Libor and \$400 million at 1/4 point over the prime. The increase may be made in the Libor portion, the sources said.

Bankers said that the \$150-million credit for Yugoslavia, being negotiated with French banks through Banque Paribas, could run into difficulties.

They said the French banks want the credit linked with an export credit to finance the purchase of French goods by Yugoslavia. But Yugoslavia, trying to restrict imports, is unwilling to link the credit with any other loan, the bankers said.

They said the credit would be the third part of a series of loans to Yugoslavia. The others, extended in 1980 and 1981, were linked indirectly to export credits, they said.

Among other credits:  
• The Italian state telephone agency Societa Finanziaria Telefonica per Azioni is raising \$100 million through an eight-year Euroloan, lead by Sumitomo Bank.

The credit is to have a five-year grace period and carry a spread of 1/4 point over Libor for the first four years and 1/2 point thereafter.

• Mexico's state steel company,

Altos Hornos de Mexico, is seeking a \$200-million club loan with foreign banks.

The deal is in its early stages, sources said, but a 1 1/2-point spread over Libor is likely. They said the relatively high spread for the five-year loan reflects a tougher market attitude toward Mexico because of its depressed economy.

• Korean Electric Power Corp.'s \$310-million, eight-year loan has four parts, one over prime, one over Libor, one Japanese tax-spared and one British tax-spared.

Sources said \$100 million is expected to have a spread of 0.2 point over prime for the first four years, rising to 1/4 point for the remainder.

A further \$160 million is to have interest set at 1/4 point over Libor for the initial two years, followed by 1/2 point for the last six years, they said.

They said the British section is \$30 million and the Japanese part is \$20 million.

The lead managers are Chemical Bank, First Chicago Merchant Bank, Manufacturers Hanover Bank, Sanwa International Finance, Sumitomo Finance and Societa Generale.

• Credit Lyonnais is raising a \$200-million floating rate Eurocredit, which it said is the largest such loan ever arranged on the Asian dollar market.

The 11-year credit carries a spread of 1/4 point above Libor and a 0.85 percent commission.

The loan also includes an early redemption clause for 1990 and 1992.

Leading participants included Nomura Securities, Credit Lyonnais, Sanwa International Finance, LCIT International and Bank of Yokohama.

Credit Lyonnais said that the banks raised the loan in Singapore in an effort to tap a new source of funds. About three-quarters of the credit was sold in Japan, the bank said.

• A loan being arranged for Credit Foncier de France for between 10 billion and 15 billion yen over 10 years is to use as a reference the three-month rate for yen-denominated certificates of deposit, according to banking sources, who said it will be the first such use of that rate.

### Gold Options (prices in \$/oz.)

| Price | Aug.       | Sept.       | Oct.        | Nov. | Dec. |
|-------|------------|-------------|-------------|------|------|
| 200   | 9.20-12.00 | 26.00-29.00 | 25.00-28.00 |      |      |
| 300   | 2.00-3.75  | 15.00-17.50 | 26.00-29.00 |      |      |
| 400   | 1.00-2.00  | 7.50-9.50   | 19.00-22.00 |      |      |
| 500   | 0.75-1.00  | 4.50-6.50   | 14.00-17.00 |      |      |
| 600   | 0.10-0.20  | 3.00-4.50   | 8.50-12.00  |      |      |

Gold 345.30-345.80  
Valuers White Weld S.A.  
1, Quai du Mont-Blanc  
1211 Geneva 1, Switzerland  
Tel. 31.02.51 - Telex 28.305

When in Washington, D.C. meet me at

**Blackie's**  
House of Beef

Adjoins the Washington Marriott  
OUR 36th YEAR

## Utility in Illinois Bucks the Trend Against Reactors

(Continued from Page 15)

February, it borrowed \$400 million for 30 years at 16 percent, a rate that is partly a result of crumbling credit ratings. Later came an equity offering that raised \$195 million, with shares issued well below the company's book value of \$26 a share.

Commonwealth Edison says it will make additional trips to both markets later this year, even if long-term interest rates remain high and a new share issue fetches less than book value. Utility shares have been dropping recently in response to a Senate vote to eliminate the tax-free dividend reinvestment provision for utilities that was included in the 1981 tax law.

Mr. O'Connor said financing at less than book value was necessary so the company could maintain a respectable debt-to-equity ratio. "If we're going to finish the program," he added, "we have no alternative."

A steady dividend payout and climbing profits have not overcome Wall Street's skepticism, however. "That's the trouble with these big construction programs: they ruin your debt structure and your balance sheet," said John Slater, an electric utility analyst with Prescott, Ball & Turben, a Cleveland-based brokerage.

## Reagan Finds a New Supply-Sider

By Jonathan Fierbringer  
New York Times Service

WASHINGTON — Martin Stuart Feldstein, whom President Reagan said on Friday he would nominate as chairman of the Council of Economic Advisers, is a conservative economist from the mold that produced the president's economic policy.

But he has also uttered words that Mr. Reagan does not like to hear: He has suggested delaying the third year of the president's cherished individual tax cut as a way to reduce federal budget deficits.

Such a stand, however, is the kind of complicated position the sometimes controversial Harvard economist likes to take.

It could signal a kind of careful economic analysis that is necessary to weigh the alternatives as the Reagan administration struggles to find a way to get its economic policy working.

Now should such a stand automatically relegate the 42-year-old economist to a secondary role?

While he has suggested delaying the July 1, 1983, installment of the tax cut, he is against taking it away and opposes most permanent tax increases, contending that they encourage government spending.

A leader of the growing ranks of young conservative economists, he is committed to reducing the deficit by chopping domestic spend-



Martin Feldstein

ing, especially the growth of entitlement programs, the biggest of which is Social Security.

This makes him a supply-sider, as is the president. But while Mr. Feldstein pushes for tax cuts and incentives to spur investment, he is not in tune with the all-out supply-siders who directed early Reagan economic policy and were frustrated by a restrictive monetary policy.

Mr. Feldstein acknowledges the need for a restrictive monetary policy to fight inflation. This is the administration's current mix of

policy, but it is one that has so far been hampered by a sharp recession, record unemployment, and large budget deficits.

Mr. Feldstein comes to the council at one of the most difficult times in recent history, and some economists wonder whether he will be able to have a strong impact on an economic policy that has essentially been taken over by politics.

Alan Greenspan, chairman of the council in the Ford administration, said, "It's a very tough environment for economic policymaking at this time."

"He is coming to an environment in which more than any time in recent history political forces are dominating economic policymaking."

But others felt that if anyone can take charge, it will be him. He was at the top of the list to replace Murray L. Weidenbaum, who resigned to return to Washington University in St. Louis.

Mr. Feldstein is serious and precise, and looks it with his 5-foot-9-inch, athletic frame, balding pate and horn-rimmed glasses. He is not known as a chatterbox. His concern is for quality, not style.

While he has created some controversy as the head of the National Bureau of Economic Research, and with his study on Social Security, he is well-respected among his fellow economists.

## American Exchange Options

For the Week Ending Aug. 6, 1982

| Option & price |             | Call  | Put   | Option & price |             | Call  | Put   | Option & price |             | Call  | Put   | Option & price |             | Call  | Put   |
|----------------|-------------|-------|-------|----------------|-------------|-------|-------|----------------|-------------|-------|-------|----------------|-------------|-------|-------|
| AAEP           | 10 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 15 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 20 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 25 15 1/2   | 1 1/2 | 1 1/2 |
| AAEP           | 30 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 35 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 40 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 45 15 1/2   | 1 1/2 | 1 1/2 |
| AAEP           | 50 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 55 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 60 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 65 15 1/2   | 1 1/2 | 1 1/2 |
| AAEP           | 70 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 75 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 80 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 85 15 1/2   | 1 1/2 | 1 1/2 |
| AAEP           | 90 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 95 15 1/2   | 1 1/2 | 1 1/2 | AAEP           | 100 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 105 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 110 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 115 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 120 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 125 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 130 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 135 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 140 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 145 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 150 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 155 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 160 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 165 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 170 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 175 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 180 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 185 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 190 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 195 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 200 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 205 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 210 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 215 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 220 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 225 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 230 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 235 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 240 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 245 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 250 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 255 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 260 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 265 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 270 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 275 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 280 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 285 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 290 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 295 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 300 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 305 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 310 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 315 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 320 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 325 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 330 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 335 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 340 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 345 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 350 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 355 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 360 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 365 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 370 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 375 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 380 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 385 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 390 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 395 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 400 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 405 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 410 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 415 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 420 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 425 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 430 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 435 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 440 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 445 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 450 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 455 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 460 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 465 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 470 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 475 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 480 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 485 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 490 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 495 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 500 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 505 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 510 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 515 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 520 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 525 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 530 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 535 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 540 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 545 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 550 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 555 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 560 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 565 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 570 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 575 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 580 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 585 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 590 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 595 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 600 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 605 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 610 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 615 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 620 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 625 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 630 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 635 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 640 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 645 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 650 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 655 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 660 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 665 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 670 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 675 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 680 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 685 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 690 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 695 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 700 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 705 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 710 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 715 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 720 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 725 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 730 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 735 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 740 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 745 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 750 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 755 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 760 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 765 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 770 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 775 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 780 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 785 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 790 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 795 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 800 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 805 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 810 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 815 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 820 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 825 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 830 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 835 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 840 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 845 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 850 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 855 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 860 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 865 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 870 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 875 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 880 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 885 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 890 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 895 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 900 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 905 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 910 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 915 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 920 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 925 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 930 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 935 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 940 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 945 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 950 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 955 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 960 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 965 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 970 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 975 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 980 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 985 15 1/2  | 1 1/2 | 1 1/2 |
| AAEP           | 990 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 995 15 1/2  | 1 1/2 | 1 1/2 | AAEP           | 1000 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1005 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1010 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1015 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1020 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1025 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1030 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1035 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1040 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1045 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1050 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1055 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1060 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1065 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1070 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1075 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1080 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1085 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1090 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1095 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1100 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1105 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1110 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1115 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1120 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1125 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1130 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1135 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1140 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1145 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1150 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1155 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1160 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1165 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1170 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1175 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1180 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1185 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1190 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1195 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1200 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1205 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1210 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1215 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1220 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1225 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1230 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1235 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1240 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1245 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1250 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1255 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1260 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1265 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1270 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1275 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1280 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1285 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1290 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1295 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1300 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1305 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1310 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1315 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1320 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1325 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1330 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1335 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1340 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1345 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1350 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1355 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1360 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1365 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1370 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1375 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1380 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1385 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1390 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1395 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1400 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1405 15 1/2 | 1 1/2 | 1 1/2 |
| AAEP           | 1410 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1415 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1420 15 1/2 | 1 1/2 | 1 1/2 | AAEP           | 1425 15 1/2 | 1 1/2 | 1 1/2 |















